



3 1761 11712277 0



Digitized by the Internet Archive
in 2023 with funding from
University of Toronto

Gov. Doc.
Can
Com
D

Canada - Dominion - Provincial Relations,
Royal Commission on, 1937

ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

REPORT OF HEARINGS

[Canada]

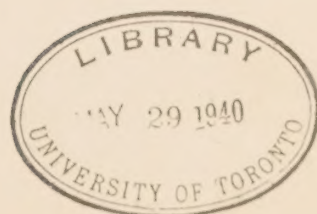
Vol. 4, Pt. 1-2

JAN 25 1938 - Jan. 26, 1938

REPORTERS:

George Thompson
John Robertson
David Torry

383353
1. 8. 40



21
OTTAWA, ONTARIO, JANUARY 25, 1938

LIST OF REPRESENTATIONS

Page

SUBMISSION BY CANADIAN FEDERATION
OF MAYORS

MR. GEORGE S. MOONEY,)	
ALDERMAN BIGGAR (Montreal))	3255 - 3386
MAYOR RAYNAULT (Montreal))	
MAYOR LEWIS (Ottawa))	

SUBMISSION BY THE CORPORATION
DES CHAMBRES ECONOMIQUES

R. ROGERS SMITH,	3386 - 3400
------------------	-------------

SUBMISSION BY THE CANADIAN
TUBERCULOSIS SOCIETY

DR. G. J. WHERRETT	3400 - 3412
--------------------	-------------

MR. G. D. FINLAYSON, Superintendent of Insurance	3420 - 3437
---	-------------

OTTAWA, ONTARIO, JANUARY 25, 1938

LIST OF EXHIBITS

	<u>Page</u>
Exhibit 113: Brief of the Canadian Federation of Mayors	3383
Exhibit 114: Supplementary brief of the Canadian Federation of Mayors	3383
Exhibit 115: Brief of the National Resources Committee	3383
Exhibit 116: Brief submitted by the Corporation des Chambres Economiques	3400
Exhibit 117: Brief of the Canadian Tuberculosis Society	3420
Exhibit 118: Memorandum on Supervision of Insurance, Loan and Trust Companies	3421

OTTAWA, ONTARIO, JANUARY 25, 1938.

TOPICAL INDEX

Page.

MOONEY, GEO. S. (Canadian Federation of
Mayors and Municipalities)

Brief submitted	3255
Historical background	3256- 3260
Lack of definitions of municipal incorp- orations	3260
Lack of uniformity in assessment pract- ice	3261
Urban Canada in 1867	3262

COMMISSIONER MCKEY:
Definition of "urban"
and "rural"

3265

BIGGAR, ALDERMAN W.H. (Montreal)

Bureau of Statistics definition of "urban"	3265
---	------

MOONEY, GEO. S.

Growth of Canada's urban population	3266
Tax receipts of federal, provincial and municip- al governments	3269
Public debts of federal, provincial and municip- al governments	3269
Growth of municipal debt	3270- 3271
Optimistic spending in prosperity	3272
Municipal debt - growth by ten-year periods	3273- 3278
Decline in assessment values	3278- 3280

MOONEY, GEO. S. (CONT'D.)

Municipal tax arrears	3280
Percentage of tax levy collected	3281
Unemployment relief figures	3281
Expenditures on essential municipal services curtailed by debt charges	3283- 3284
Statement made before Dominion Conference of Mayors, 1936	3285
THE CHAIRMAN: Municipal finance today in comparison with two years ago	3286
Property taxation	3286
Citizens' Research Institute survey of municipal finance	3286 3288
Unemployment relief - expenditures decreasing in 1936-37	3289
Municipal floating debt	3289
Municipal budgets - credit balances and deficits in 61 cities	3290
Urban population in prairie provinces, contrasted with urban population in Ontario and Quebec	3291
Factors in mounting municipal debt	3292- 3293
Recapitulation	3295 3296
Recommendation that the federal government relieve the municipalit- ies of the full cost of all further unemployment relief	3296

MOONEY, GEORGE S. (CONT'D.)

THE CHAIRMAN:

Distinction between
unemployed and unem-
ployables

3297

Recommendation that the
federal and provincial
governments pay munic-
ipal taxes, or grants
in lieu thereof, and
local improvements or
betterment charges,
on all Crown Lands with-
in municipal corporat-
ions

3299

THE CHAIRMAN:

Municipal taxation
on Canadian National
Railways

3301

Taxation of lands
occupied for farming
within the limits of
municipalities

3302

Taxation of publicly
owned utilities

3303

BIGGAR, ALDERMAN W.H.

Taxation on exempt
property in certain
municipalities in
Quebec

3303
3304

THE CHAIRMAN:

Attitude of City
of Winnipeg towards
taxation of publicly
owned utilities

3304

LEWIS, MAYOR STANLEY (Ottawa)

Exemption of public
buildings in Ottawa
from taxation

3305

THE CHAIRMAN:

Distinction in
Manitoba brief
made between publicly
owned utilities and
government buildings
used for public
service

3306

BIGGAR, ALDERMAN W.H.

Government owned houses
in Esquimaux

3306

MOONEY, GEORGE S. (CONT'D.)

THE CHAIRMAN:

Taxation of
government liquor
stores

3306

Recommendation that
the federal government
create the legal
machinery for a more
satisfactory handling
of the problem of
municipal debt.

3307

Observations of Chief
Justice Rowell in regard
to Dominion Bankruptcy
Act and extension of
Companies' Creditor's
Arrangement Act to
include bankrupt
municipalities

3308

COMMISSIONER ANGUS:

Difficulty of measur-
ing the solvency of a
municipality

3311

Danger of default in
municipalities

3311

Recommendation that
consideration be given
by the federal govern-
ment to some method
whereby interest rates
to local governments
throughout the dominion
shall be on a more
uniform and equitable
basis than as at present
exists

3312

THE CHAIRMAN:

Determination of
cost for long
term borrowing by
current rate for
money

3313

3314

National Loan Council

3314

THE CHAIRMAN:

Purchase of
municipal debentures
by investment bankers
for resale

3314

Possibility of improved
interest rate allowances
in provincial territories

3315

MOONEY, GEORGE S. (CONT'D.)

THE CHAIRMAN:
Provincial control
of municipal
borrowing

3315

Need of the municipal-
ities for a short term
market

3315

3316

Recommendation that in
future no additional
services be imposed on
municipalities by either
provincial or federal
governments without at
the same time creating
a definite taxation
source for adequately
financing these services;

3316

THE CHAIRMAN:
Municipal institut-
ions in other count-
ries where taxation
on property is lim-
ited to services
rendered on property

3317

Inadequacy of grants-
in-aid for social
services

3317

3318

Monthly grants-in-aid
to the provinces on
behalf of unemployment
relief

3319

Figures showing monthly
grants-in-aid to the
provinces

3319

3320

THE CHAIRMAN:
Basis of distrib-
ution of unemploy-
ment relief

3321

LEWIS, MAYOR STANLEY.

Grants-in-aid for
relief in city of
Ottawa

3321

THE CHAIRMAN:
Percentage of relief
in city of Ottawa
provided by province

3321

RAYNAULT, MAYOR A. (Montreal)

Percentage of relief in
city of Montreal borne
by province

3321

REYNOLDS, MAYOR A. (CONT'D.)

COMMISSIONER SIRGIS:

Direct dealings of city
of Montreal with federal
authorities in regard to
relief

3321

3322

Federal contribution
to the province of
Quebec

3322

BIGGAR, WIDERMEN W.E.

Unemployment insurance
conducive to mobility
of labour

3336

Labour immobilized
under direct relief

3336

National handling of
relief & fundamental
necessity

3336

THE CHAIRMAN:

Local participation
in administration
and cost

3337

Criticism by local
charitable organiz-
ations

3338

COMMISSIONER MACKAY:

Effect on relief costs
under federal admin-
istration

3338

Responsibilities of
civic representatives

3340

COMMISSIONER WIGGUS:

Possible pressure
upon municipalities
under federal admin-
istration

3340

Supplementary relief
costs in Montreal

3340

THE CHAIRMAN:

Relative efficiency
under local supervis-
ion and federal admin-
istration of relief

3340

3341

Administrative handi-
caps resulting from
pressure

3341

BIGGAR, ALDERMAN W.H. (CONT'D.)

THE CHAIRMAN:

Relief payments to
those not entitled

3341

Unemployability
resulting from unem-
ployment

3341

Reduction in relief
when recipients
required to work

3342

Work, "the cheapest
form of rehabilitat-
ion"

3342

MOONEY, GEORGE S. (Continuing.)

Recommendation that
the federal government
exempt municipalities
from sales, excise
and stamp taxes

3343

Annual cost of excise
stamps on relief cheques

3344

Access to income tax
returns for purposes of
information

3344

Elimination of overlapping
and duplication

3345

THE CHAIRMAN:

Meaning of "tourism"

3346

Economy in coordination
and centralization of
tourist propaganda

3346

Supplementing of tech-
nical education grants
recommended

3346

Necessity for national
low rent housing Act

3348

THE CHAIRMAN:

Reduction of burden
on real estate:
effect on private
initiative

3350

COMMISSIONER DIFOE:

Percentage of pop-
ulation unable to
rent habitable houses

3352

Comprehensive federal
policy for development
of tourist industry

3354

MOONEY, GEORGE S. (CONT'D.)

Commission to study
urban trends recomm-
ended 3356

Brief continues 3370

Biennial Conferences
of municipal, prov-
incial and federal
governments 3370

THE CHAIRMAN:
Functions of
proposed Biennial
Conferences 3370-
3372

BIGGAR, ALDERMAN W.H.

Pooling of experience
and brains in proposed
conferences 3372

LEVIS, MAYOR STANLEY

Reference to statement
by Hon. Ernest Lapointe,
and to Ontario Confer-
ence 3373

MOONEY, GEO. S (Continuing)

National planning
required to stabilize
employment 3374

Taxation policy should
be adjusted to meet
prevailing economic
conditions 3377

Unemployment insurance 3377

Employment Exchanges 3378

Recommendation of
National Employment
Commission 3378

THE CHAIRMAN:
Unemployment insurance
contributions 3379

BIGGAR, ALDERMAN W.H.

Public opinion in
favour of contributory
scheme of unemployment
insurance 3379

THE CHAIRMAN:
Alleged limitations
of unemployment insur-
ance 3379

BIGGAR, ALDERMAN W.H. (CONT'D.)

Other measures required to supplement unemployment insurance	3381
---	------

THE CHAIRMAN: Unemployment relief policy in metropolitan area of Montreal	3382
---	------

Policy of working out relief	3383
---------------------------------	------

RAYNAULT, MAYOR L. (Montreal)

Expression of thanks to Commission	3383
---------------------------------------	------

BIGGAR, ALDERMAN W.H.

Examination by Mr. St. Laurent	3384 3386
-----------------------------------	--------------

SMITH, R. ROGERS, (Corporation des Chambres
Economiques)

National-Corporatist Movement -- brief submitted	3386
--	------

Statute of Westminster	3395
------------------------	------

Existence of written constitution	3396
--------------------------------------	------

Conferences of provinces	3397
-----------------------------	------

Free entry of goods from one province to another	3398
--	------

Currency and banking	3398
----------------------	------

Assumption of all taxing and borrowing powers by provinces	3398
--	------

Council of nine Provincial Premiers	3399
--	------

WHERRIE, DR. G.J. (Canadian Tuberculosis
Association)

Brief submitted	3400
-----------------	------

Number of deaths from tuberculosis in Canada (1936)	3400
---	------

WHERRETT, DR. G.J. (CONT'D.)

Indian deaths from tuberculosis	3400 and 3401
Extent of the tuberculosis problem in Quebec and the Maritimes	3401
THE CHAIRMAN: Cause of difference in death rate among Indians in different provinces	3401
COMMISSIONER ANGUS: Death rate among Japanese in British Columbia	3401
Tuberculosis control schemes in Canada	3402
THE CHAIRMAN: Difference in mortality per thousand among Indians and whites from tuberculosis	3402
Diagnostic facilities in Canada	3403
Treatment facilities in Canada	3403
Tuberculosis costs in Canada	3403 3404
THE CHAIRMAN: Difference in treatment facilities in Saskatchewan and Nova Scotia	3404
Reduction in death rate from Tuberculosis in Ontario and Saskatchewan	3404 3405
THE CHAIRMAN: Private benefactions in Ontario	3405
Canadian Tuberculosis Association as the coordinating body in the anti-tuberculosis program	3405

WHERRET, DR. G.J. (CONT'D.)

Tuberculosis burden in Quebec and the Maritime Provinces	3406
Inadequacy of prov- ision of treatment and diagnostic facilities for Indians	3406
Grants-in-aid to the more heavily burden provinces	3407
Greater responsibility by the federal govern- ment for Indian Tuberculosis recommend- ed	3407 3408
<u>COMMISSIONER ANGUS:</u> Agreement between dominion and British Columbia	3408
Estimated expenditure necessary for carrying out of increased Indian program	3408
<u>THE CHAIRMAN:</u> Causes of high death rate among Indians; estimate of its possible reduct- ion by suitable treatment	3409
<u>COMMISSIONER DAFOE:</u> Availability of sanitoria to Saskat- chewan Indians	3409 3410
Manitoba clinics in Indian reserves	3410
<u>ST. LAURENT, LOUIS S.:</u> Examination of Dr. Wherrett.	
Inclusion in the term "Indians" of half-breeds	3411
Mothers' Allowances	3411
Estimate of amounts necessary for grants- in-aids from dominion to provinces for tuberculosis	3411
Organization and history of the Canadian Tuberculosis Association	3411 3412

FINLAYSON, G.D. (Superintendent of Insurance)

Memorandum on the
subject of the super-
vision of insurance,
loan and trust comp-
anies in Canada 3420

ST. LAURENT, LOUIS S.:
Examination of Mr.
Finlayson.

Number of insurance
companies in Canada
licensed under federal
authority 3421

Insurance companies
incorporated by legis-
latures of the provin-
ces 3421
3422

Gradual movement from pro-
vincial charters and licen-
ses to dominion charters
and licenses 3423

Requirement of provincial
licenses for British and
foreign insurance companies 3423

System of inspection and
reporting 3423

Necessity for supervision
of insurance companies 3424

Requirement of deposits
from insurance companies 3424
3425

Adequacy of protection
afforded policyholders 3425-
3428

Duplicating in supervision
of insurance companies by
provinces 3428

THE CHAIRMAN:
Annual report issued
showing financial
statements of all
insurance companies

3429

Valuation of securities
in statements of insurance
companies 3430
3431

Illustration of the futil-
ity of filing statements
with the provinces 3431-
3434

Method of carrying out
inspection 3435

Additional expense involved
in duplication of supervision 3436

ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

OTTAWA, ONTARIO, JANUARY 25, 1938

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Parliament Buildings, Ottawa, Ontario, on Tuesday, January 25, 1938, at 10.30 a.m.

PRESENT:

HON. CHIEF JUSTICE NEWTON W. ROWELL....CHAIRMAN

DR. JOSEPH SIROIS)	
JOHN W. DAFOE, Esq.)	
DR. ROBERT ALEXANDER MACKAY)	Commissioners
PROFESSOR HENRY FORBES AUGUS)	

Commission Counsel:

Louis S. St. Laurent, Esq. K.C.

James McGregor Stewart, Esq. K.C.

Secretariat:

Alex. Skelton, Esq.	Secretary
Adjutor Savard, Esq.	Secrétaire Français
R. H. Fowler, Esq.	Legal Secretary
Wilfrid Eggleston, Esq.	Assistant to the Secretary

FOR THE CANADIAN FEDERATION OF

MAYORS AND MUNICIPALITIES:

George S. Mooney	Associate Director, Department of Planning and Research Montreal Metropolitan Commission
Mayor Stanley Lewis, Ottawa	Secretary-Treasurer of Association
Mayor A. Raynault, Montreal	Member
Alderman W. H. Biggar, Montreal	Executive Committee

FOR THE NATIONAL-CORPORATIST MOVEMENT:

R. Rogers Smith, Esq.	Representative
-----------------------	----------------

FOR THE CANADIAN TUBERCULOSIS ASSOCIATION:

Dr. G. J. Wherrett	Representative
--------------------	----------------

FOR THE DOMINION GOVERNMENT:

G. D. Finlayson, Esq.

Superintendent of
Insurance

Railway Committee Room,
House of Commons,
Parliament Buildings,
Ottawa, Ontario,
January 25, 1938.

MORNING SESSION

The Commission met at 10.30 a.m.

THE CHAIRMAN: The first Brief on our list this morning is that of the Canadian Federation of Mayors and Municipalities, to be presented by Mr. Mooney.

MR. GEORGE S. MOONEY was called.

SUBMISSION BY

CANADIAN FEDERATION OF MAYORS AND MUNICIPALITIES

MR. MOONEY: Mr. Chairman and Gentlemen of the Commission, I am presenting this Brief for the Federation of Mayors and Municipalities probably because I am best acquainted with its contents inasmuch as I prepared it. With me is Mayor Lewis of Ottawa, Alderman Biggar, President of the Montreal Metropolitan Commission, and Mayor Raynault of Montreal will be here shortly.

If there are specific questions which the Commission desire to address to any of the three official representatives of the Federation of Mayors, I am sure that either Mayor Raynault, Mayor Lewis, or Alderman Biggar will be glad to answer them.

THE CHAIRMAN: Thank you, Mr. Mooney.

MR. MOONEY:

To

THE ROYAL COMMISSION ON

DOMINION-PROVINCIAL RELATIONS:

Gentlemen:

"The submission which follows is presented to you by the Canadian Federation of Mayors and Municipalities, a national or-

"ganization representing elected bodies charged with the administration of local governments in the urban centres of the Dominion. As such, it represents the local governments of more than five million of the population of the Dominion who, in the aggregate, pay more than seventy-five per cent of the total taxes of the nation. It embraces within its membership the larger metropolitan cities as well as rural municipalities within each of the provinces."

The statement embodies four main sections.

- I. An historical summary tracing the development of local government in Canada prior to and following Confederation. (pp. 2-14)
- II. An analysis of the growth of municipal debt since 1900. (pp. (1)-(31).)
- III. Recommendations which the municipalities of the Dominion submit would provide amelioration for many of their present difficulties. (pp. (1)--3(31).)
- IV. A series of statistical tabulations based on a recent survey of the financial conditions prevailing in approximately sixty Canadian cities.

It is the belief of the Federation that the statements which follow are reasonably supported by facts and logic.

I. HISTORICAL BACKGROUND

Local government in Canada is of comparatively recent origin. But the demand for

"it was the propelling force which led to Confederation itself.

One hundred years ago the vast majority of citizens in Upper and Lower Canada were dissatisfied with existing conditions. And for good reasons. They smarted under the accumulated rebuffs of an irresponsible central government which, while enjoying all the perquisites of office, was indifferent to the insistent demand that some measure of local autonomy be accorded to the people, including the right to levy their own taxes and to determine how the money should be spent. The Upper Canada Rebellion of 1837, though a mismanaged affair, did serve to emphasize the discontent. The numerous outbursts in Lower Canada during 1837 and 1838 helped bring the matter to a head.

The main issue was responsible government. There was no conflict between federal and provincial nor between provincial and municipal administrations, because there was no federation, and municipalities as autonomous self-governing corporations did not exist. The single, all-powerful government in each of the Canadas was composed of a Governor, a Legislative Council, and an elected Assembly. But the elected Assembly was an impotent body. Though representative of the people it had little control over the expenditures of public moneys or, for that matter, anything else. The people wanted their Assembly to control the taxes which they paid, and the administration

"to be responsible to it. The resort to direct action by the peoples of Canada a century ago paved the way for responsible government which found its first expression in the Act of Union in the year 1840.

Accompanying this demand for a responsible government a second matter of concern--and of no less importance. The people felt that as local groups they were better able to judge their local requirements, and to assess the costs. 'They were not prepared to let the central government do this, even when it did come under the control of their elected members. That this was regarded as vital is shown by the fact that at the very first session of the legislature of the new Canada, in 1841, a Municipal Act was passed to provide for such self-government. That legislation, amended and broadened through the nine provinces which have been formed under Confederation, proved to be the foundation of our municipal institutions in Canada'.

(W. A. MacKayne, Saturday Night, December 11, 1937.

The Act of 1841, however, was very limited in its scope. Under its provisions the control of local government was still retained in large measure by the central authorities. It was not until 1849 that any comprehensive measure of local self-government was available to the cities and towns of the Province of Canada.

In the ensuing pre-Confederation decades, local government practices in the other

"Provinces and the Northwest Territories varied greatly. In Nova Scotia local government was confided to the magistracy, which was an appointed body, holding commissions for life and not responsible in any way to the electorate. Indeed, it was not until the passage of the Towns Incorporation Act, in 1895, that local self-government can be said to have been accorded to Nova Scotian municipalities. New Brunswick's municipal institutions passed through similar stages of development. Its Act of 1877, providing for compulsory municipal incorporation, with subsequent amendments, is substantially effective at the present time. In the prairie provinces municipal institutions had their inception in 1841 when the Municipal District of Assiniboia was formed, but no extensive development of local government took place for, as yet, the country was meagrely and sparsely settled. It was only in 1900, by the terms of the General Municipal Act, that every city, town, village, and rural municipality in Manitoba became a body corporate. As far as Saskatchewan and Alberta were concerned, while they had received as a legacy numerous municipal customs and organizations from the old Northwest Territories, most of these were discarded on the assumption of power by the Provincial Governments in 1905. In the subsequent years more adequate forms of local government machinery were instituted. The development of municipal self-government in British Columbia followed

"its entry into Confederation in 1871.

In retrospect it would appear that while municipal institutions existed to a limited degree during the pre-Confederation decades, actually there was no uniformity, either in practice or concept, as to the structure or technique of local government. It is apparent that there existed in different provinces, and in different sections of the same province, a wide diversity in the theory and application of municipal administration.

The forms and the spirit of municipal government followed no single pattern when the Provinces of Canada united under the pact of Confederation.

Further, when the British North America Act of 1867 placed the legislation pertaining to municipal government under provincial jurisdiction, there was no attempt to set up for the provinces any uniform criteria for the establishment of municipal corporations. Existing differences were accepted and subsequent municipal legislation within the provinces proceeded in conformity with established practices. As a consequence, even to-day, there are wide variations in urban government throughout the Dominion.

For instance:

(a) There is no uniform Dominion-wide definition of what constitutes a City, a Town, or a Village, or a Rural Municipality. In Ontario a municipality must have a population of 12,000 before attaining the status of a city; while in British Columbia seven of the

"thirty-three cities have a population of under 1,000 people.

(b) There is a wide variation in the types of municipal councils and their mode of election. In Lethbridge property owners only are entitled to vote. In other municipalities, the franchise is open to all adult males, irrespective of their property qualifications. Municipal elections are held every fourth year in some cities (Grand'mere); bi-annually in other municipalities (Winnipeg); annually in others (Halifax). Boards of Control are elected by popular ballot in some cities (Toronto); while in other cities (Montreal), Executive Committees with similar functions are elected by the City Council from among its members.

(c) There is no uniformity of assessment practise. Wide variations in assessment procedure ranging all the way from the Single Tax to from 50 per cent to 100 per cent of 'Fair actual value' of land and buildings, are in vogue in different cities in the same province. The method of appraising corner lots or business properties varies from one city to another. The practise of exempting (from taxation) other than government owned property follows no single pattern. Special assessments to attract new industry are common in some sections and frowned upon in others.

But though such differences in municipal practise exist, there are other important

"aspects of urban government which municipalities have in common throughout the Dominion.

These are:

(a) Municipalities are empowered to borrow and to create capital debt for the acquisition of undertakings designed to facilitate or make possible all those services which have come to be considered necessities for community dwelling.

(b) Likewise, municipalities are empowered to collect funds for operating expenses, maintenance charges and interest and principal payments on debts, by levying a tax on the real property within the community and by making charges for special services.

(c) While exercising a wide measure of local autonomy municipalities are restricted in the scope of their responsibility, and their revenue source, by their respective provincial governments, and in the final analysis are in all matters subject to it.

II. URBAN CANADA IN 1867

When the Dominion of Canada embarked upon its career as a confederation of provinces within the British Commonwealth, the cities of Vancouver, Calgary, Edmonton, Regina, Saskatoon, Verdun, Sydney, Fort William, Moose Jaw, and a host of others were either idle prairie plains or undeveloped farm lands. The City of Winnipeg was an outpost of the Hudson's Bay Company (Fort Garry), with a population of 241, and Moncton was a hamlet of some 600 souls. There were

"only three cities with a population of over 50,000; Montreal having 130,833, Quebec 59,699, and Toronto 59,000. Uniform currency had not yet been established, and the trans-continental railroad was still but an idle dream.

Municipal services were few and comparatively inexpensive. It was the day of wooden sidewalks and dirt roads, of oil-lit street lamps and volunteer fire brigades. Sewage and water systems were crude or undeveloped, and garbage was burnt in the back yards. Secondary schools were still in the future, while primary schools were concerned largely with the simple teaching of the three R's. Civic libraries and supervised playgrounds were non-existent.

The limited services which municipalities rendered were almost wholly related to the servicing of land and buildings. As such they were of tangible benefit to the land owner. Custom had it that every good citizen owned his own home.

Further, the ownership of property was the principal evidence of wealth. Investment in business enterprises, either direct or through the medium of the stock exchange, was of a limited nature and confined to but a fraction of the population. Moreover, urban land values were experiencing a boom period. Land and property was a "safe" investment, because taxes and building costs were low enough to permit a fair return, with

"the added prospect that the real estate buyer could expect, in those expanding days, to find his property materially increasing in value.

Under such circumstances, since most municipal services were of direct value to land and buildings, and since the ownership of land and buildings was the chief criterion of wealth and income, the basis of taxation to support these particular services was reasonably equitable and efficient.

The 70 years that have elapsed since Confederation, however, have witnessed a transformation of the urban scene.

During the period, thousands of new urban towns and cities have emerged. In 1867, Canada was an overwhelmingly rural domain. By 1901, out of every thousand persons in the community, 682 were resident in rural communities; 318 in urban centres. By 1921, the population was approximately evenly divided between rural and urban, there being 505 in rural and 495 in urban communities out of every 1,000. But by 1931, urban Canada had leaped forward, 463 being rural and 537 being urban out of each 1,000 population. In the decade 1921--1931, urban communities had absorbed nearly 77 per cent of the total increase in population, with the result that the urban population by 1931 had exceeded the rural by 657,330. The trek to the cities continues without interruption."

COMMISSIONER MACKAY: What is your definition of urban and rural? What is the size of the municipality?

MR. MOONEY: We point out, Mr. Commissioner, that there is no precise definition of urban and rural municipalities.

COMMISSIONER MACKAY: When you say "urban communities had absorbed nearly 77 per cent of the total increase in population," with the result that the urban population by 1931 had exceeded the rural by 667,330," what is your criterion there?

MR. MOONEY: I will ask Alderman Biggar to answer that.

ALDERMAN BIGGAR: That is a definition that the Bureau of Statistics are trying to get, and so far I think their definition is in the negative, that an urban district is one which is not predominantly rural. They are attempting to get a definition, but that is the closest they have come to it so far.

COMMISSIONER MACKAY: Does not the Bureau of Statistics use a definition in compiling their statistics?

ALDERMAN BIGGAR: They are in touch with international bodies, but they have not determined their own definition yet.

MR. MOONEY: To the extent that there is agreement, Mr. Commissioner, our figures are based on the Bureau of Statistics figures, and we are using rural in the sense in which they use it.

COMMISSIONER MACKAY: These are Bureau of Statistics figures?

MR. MOONEY: Precisely.

COMMISSIONER MACKAY: The Bureau must use some definition as a practical working basis in dividing

urban and rural municipalities. Is the definition they use, Alderman Biggar, the one you mentioned?

ALDERMAN BIGGAR: I should not like to quote them, but I believe I am fairly close to their wording. I have had correspondence with the Bureau, and I do not think they have got any closer to a definition than that. It is a matter of appreciation of the elements that go to make up the population. It is perfectly obvious that certain municipalities are unmistakably urban and others rural. It is the borderline cases that present the difficulty.

COMMISSIONER ANGUS: Is there not a definition from province to province?

ALDERMAN BIGGAR: Yes, but in the provincial statutes there is no unanimity whatever.

THE CHAIRMAN: One would have thought that any incorporated body, city, town or village, might be considered urban, but it goes beyond that; it is incorporated groups of people?

ALDERMAN BIGGAR: I am not able to answer as an expert, but I think you will find many villages and towns in the western provinces which are very much rural and yet they are called towns.

MR. HOGNEY: Continuing with page 11 of the Brief:

"This process of urbanization is bringing ever-larger aggregates of population and ever-widening areas within the orbit of a central dominant city. The recent experience of the five leading cities of the Dominion will exemplify this trend. Between 1921 and 1931 Canada's population grew 18 per cent whereas that of Greater Vancouver increased by 50 per cent, Greater Montreal by 39 per cent, the

"Hamilton area by 36 per cent, Greater Toronto by 31 per cent, and Greater Winnipeg by 28 per cent. By 1931, these five urban areas embraced over 23 per cent of the Dominion total. There is no reason to suppose that the pace of urban growth will slow up. To the contrary, the indications are that cities, and particularly the metropolitan areas, will continue to grow.

All the while that urban centers have continued to expand, there has grown alongside of their population growth an ever expanding and diversified series of municipal services.

To-day, the urban governments of the Dominion of Canada perform those essential public services without which their inhabitants, containing the majority of our population and the bulk of the nation's enterprise, could not continue to exist. Urban governments have been invested with the responsibility of providing for a vast range of services which affect virtually every aspect of the citizen's life. They provide water, dispose of sewage, prevent epidemics, guard the public health, protect life and property, control traffic, regulate and facilitate local trade and industry, operate public utilities, manage airports, provide for the indigent, and furnish educational, recreational, and a host of cultural services. As urban centers have grown and civilization has become more complex, the services rendered by municipal governments have multiplied enormously.

"Their costs have grown proportionately.

So much so, that to-day the collective fiscal importance of Canadian municipalities overshadows the provinces and approximates that of the Federal Government itself. The following comparative statistics illustrate this fact.

TAX RECEIPTS OF FEDERAL, PROVINCIAL AND MUNICIPAL GOVERNMENTS.1 9 3 4

<u>FEDERAL</u>	<u>PROVINCES</u>	<u>MUNICIPALITIES</u>
P.E. Island	\$1,385,777	\$ 164,158 (1)
Nova Scotia	8,876,505	7,108,035
New Brunswick	5,535,214	2,207,230 (2)
Quebec	31,018,344	59,729,973
Ontario	61,426,934	117,892,884
Manitoba	13,966,921	18,187,714
Saskatchewan	15,585,916	16,624,783
Alberta	15,178,607	12,218,328
British Columbia	22,618,367	18,002,475
<hr/>		
\$271,851,549	\$ 175,592,585	\$ 252,135,580

(1) Statistics are for Charlottetown only.

(2) Statistics are for Saint John and Moncton only.

PUBLIC DEBTS OF FEDERAL, PROVINCIAL, AND MUNICIPAL GOVERNMENTS1 9 3 4

<u>FEDERAL</u>	<u>PROVINCES</u>	<u>MUNICIPALITIES</u>
P.E. Island	\$ 4,554,000	\$ 2,348,275
Nova Scotia	73,476,013	33,318,115
New Brunswick	63,570,920	26,495,037
Quebec	126,518,007	565,218,160
Ontario	600,454,102	483,952,700
Manitoba	90,024,906	90,767,215
Saskatchewan	112,868,207	55,692,110
Alberta	129,055,260	67,886,011
British Columbia	129,133,236	127,172,942
<hr/>		
\$141,042,097	\$1,329,684,651	\$1,452,850,565

"It is doubtful whether this trend and its implications were fully visualized 70 years ago. Or that the Fathers of Confederation foresaw the newer sources of wealth investment which have diverted much of the urban wealth into other channels than the ownership of real estate.

It is reasonable to suppose that when the provinces reallocated to the municipalities certain responsibilities for local government, and extended to them the power to raise revenue for the discharge of these responsibilities, they assumed that such responsibilities could be met from the tax base so allotted. In 1867, and for the subsequent four decades, urban revenue from property taxation was a sufficient and equitable source of municipal income.

An analysis of municipal finance in the immediate pre-war years indicates, however, that already the costs of new and expanding municipal services were increasing disproportionately to the comparative growth in the value of real property.

III. GROWTH OF MUNICIPAL DEBT

Let us examine the development of municipal debt since the turn of the century.

There are in Canada to-day 4,299 municipal units. They are classified in the following Table:

PROVINCES	CITIES	TOWNS	VILLAGES	COUNTIES	Other Rural Municipalities
P.E. Island	1	7	Nil	Nil	Nil
Nova Scotia	2	43	Nil	(1)	24
New Brunswick	3	20	2	15	Nil
Quebec	25	102	302	75	1,023
Ontario	28	147	156	38 (2)	571 (3)
Manitoba	4	31 (4)	22	Nil	112
Saskatchewan	8	80	385	Nil	302
Alberta	7	53	147	Nil	163
British Columbia	33	Nil	17	Nil	28
TOTALS	111	483	1,031	128	2,223

1. Nova Scotia has 18 counties, some of which are "Municipalities," while others are divided into "municipalities".
2. There are 48 Counties in all, geographically, but a number are united for municipal purposes.
3. Officially known as "Townships".
4. Includes Flinflon Municipal District.

Table (Con.)

PROVINCES	Local Im- provement Districts	Subur- ban Mun- icipalities	TOTAL
P.E. Island	Nil	Nil	8
Nova Scotia	Nil	Nil	69
New Brunswick	Nil	Nil	40
Quebec	Nil	Nil	1,527
Ontario	Nil	Nil	940
Manitoba	Nil	5	174
Saskatchewan	84	Nil	859
Alberta	234	Nil	604
British Columbia	Nil	Nil	78
TOTALS	313	5	4,299

"Most of these municipalities have power to borrow, spend, and impose taxation within the limits set by their respective capacity to raise revenue from local taxation, or the extent to which they are prepared to discount the future by spending borrowed money for general public improvements, they are free agents. It is in the exercise of these prerogatives wherein lies the very essence of local self-government. And, as we have

"already pointed out, it was the demand for such privileges which led to the establishment of Confederation itself.

It would be agreed upon by most social thinkers that the price of democracy is some measure of inefficiency. If this be so, then the municipalities of Canada do not offer themselves as the exception which proves the rule. But that local governments have been the uniformly wilful spendthrifts among the governments of Canada, which is suggested in some quarters, is an unwarranted criticism.

True, it is, since 1900 the municipal debt structure has climbed upwards at a rapid pace--some would say a dizzy pace. There has been a steady and progressive increase of urban debt, not only in amount, but also on a per capita basis and as a percentage of assessed value. But this increase is due, in the main, to the increase in population, coupled with a corresponding increase in wealth and income. Growing out of the latter has come a progressively higher standard of living, which in turn has reflected itself in demands on local governments for new and more expensive municipal services.

In this latter respect Canadian municipalities have been no more immune from the prevailing optimism than has the average individual citizen. Our municipal affairs--in the final analysis merely an expression of our collective thinking--have reflected the moods and temper of an ascending prosperity.

"Generally speaking, there was ample justification for the commitments entered into by local governments at the time such expenditures were made. It is fair to say that municipal debt was but a barometer of the predominant trends in society as a whole.

MUNICIPAL DEBT

1900--1910

(In the following discussion on Canadian Municipal Debt we are largely indebted to the very able analysis outlined in a pamphlet entitled, "Trends in Municipal Debt in Canada" by Mr. Thomas Bradshaw, and published by the Municipal Finance Officers' Association of the United States and Canada, 1936.)

"Figures for the period 1900--1910 are meagre and incomplete. It is clear, however, that the decade experienced a rapid growth in municipal debt. With the exception of a two-year depression period, 1907 and 1908, the period was marked by a general expansion in business activity and corporate prosperity. The resultant higher purchasing power was reflected in a large increase in municipal debt incurred to supply new and expanding services. This increase was particularly true and pronounced in the Western Provinces (Manitoba, Saskatchewan, Alberta, and British Columbia).

It was a period when the west was being rapidly developed. The railroads, having opened up new and vast territories, were naturally interested in bringing in new

"settlers. The national immigration policy was as generous as it ever has been. New towns sprang up overnight. Frontier towns of a generation before became modern cities within the space of a few years. Real estate prices sky-rocketed. Money was easy and optimism was high. If the 19th century had favoured the development of the United States, popular opinion was claiming the 20th century for Canada.

1910--1920

Experiencing only minor periods of recession, the second decade of the century followed the pace set by its predecessor. The pre-war boom days were kept alive by the subsequent acceleration of wartime production. And though the flow of immigration had receded, so that urban growth followed a healthier natural trend, the boom fever was not to be downed. The war was to be but a brief interlude in an otherwise land speculator's paradise. Cities continued to lay out subdivisions. Roads, sidewalks, sewers, and fire stations were built literally in the fields. Civic spending went on unchecked. It was the best of all possible worlds.

1920--1930

The extent of the expansion of the previous two decades was not fully realized by local governments until the decline in production, commodity prices, etc., which occurred in 1921, proved that municipal services and public works had been undertaken involving a

"debt burden which was too onerous for the taxpayers to carry.

But the grey days of '21 passed by. By the fall of 1922 business was on the up-swing, with all the indices confirming the popular belief that Canada was on the threshold of a new economic era. Those who dared to point out the inevitable collapse of the boom were laughed to scorn. The fever of acquisition spread to our municipal councils, and particularly to those suburban to our larger cities. With the first acceleration upwards in the economic structure, municipal pursestrings were again loosened, and capital spendings reached a new high. Most marked were the developments in Ontario and Quebec, where from 1921, as a result of the sudden growth of industrial developments in this area, a dizzy array of public works was proceeded with.

The net general debt of all Canadian municipalities increased by 61.5 per cent during the period 1921--1934. The increase was fairly steady to 1929, more pronounced from 1929 to 1932, since when there has been a levelling-off. Of the eastern provinces, Ontario and Nova Scotia were the only ones to reflect this final trend. In the prairie provinces the tendency was reversed, declines being shown by all three provinces. In almost every case, a peak is recorded in 1927 or 1928, followed by a decline before the marked rise to 1932.

" "The fact that the decline did not begin until 1922 was largely due to the impossibility of stopping capital works already undertaken, and the failure of citizens, taxpayers and councils, to realize prior to that time that the period of business depression was destined to be a protracted one.

The following series of charts illustrates the general trends in municipal finance during the period 1921 to 1934.

CHANGES IN TOTAL NET DEBT (1)

PROVINCE	TOTAL NET DEBT (000 omitted)		Amount of Increase 1920-1934 (000 omitted)	Per Cent Increase 1920-1934
	1920	1934		
British Columbia	\$ 81,073	\$100,078	\$ 19,005	23.4
Alberta	59,655	51,754	7,901 (d)	13.2 (d)
Saskatchewan	39,752	47,671	7,919	19.9
Manitoba	81,206 (a)	78,787	2,419 (d)	3.0 (d)
Ontario	216,509	427,324	210,815	97.4
Quebec	214,107	434,942	220,835	103.1
New Brunswick	10,794	20,232	9,438	87.4
Nova Scotia	16,267	23,288	7,021	43.2
P.E. Island	948	1,940	992	104.5
TOTALS	\$720,311	\$1,186,016	\$465,705	69.0

1. Total outstanding debt less sinking funds.
a. Figures for 1924 - earlier data not available.
d. Indicates decrease.

CHANGES IN RELATIVE TOTAL DEBT BURDEN

PROVINCE	Per Capita Net Total Debt - 1934	Per Cent Increase Over 1920	Ratio of Net Debt to Assessment-1934	Per Cent Increase Over 1920
British Columbia	\$192.51	9.0 (d)	15.6%	1.1
Alberta	78.72	32.9 (d)	9.0%	29.5
Saskatchewan	52.10	6.9 (d)	4.3%	19.0
Manitoba (a)	114.02	21.7 (d)	14.3%	9.9
Ontario	130.47	59.7	14.1%	51.6
Quebec	147.91	58.9	19.5%	41.3
New Brunswick	47.49	37.6	13.9%	112.0
Nova Scotia	44.27	40.4	13.5%	19.9
P.E. Island	91.81	70.9	14.0%	44.3
TOTALS	113.93	35.7	14.08%	34.4

- a. Comparison 1924 - 1934
d. Indicates decrease.

1930 - 1936 (1)

"The growth of municipal debt during the period 1900 - 1930 set the stage for the almost disastrous dislocation of municipal finances experienced in the subsequent six depression years.

Notwithstanding restricted borrowing and taxing powers the municipalities were called upon to assume new duties and heavier responsibilities. The following facts will indicate the resultant strain on their financial structure.

1. The great decline in the assessed value and the even greater decline in the market value of real estate has served to restrict the basis of property taxation. The two following tables illustrate this point:

"L"

MUNICIPALITY	YEAR	COMPARATIVE REAL ESTATE VALUATIONS
Halifax	1932	\$ 48,297,000
	1936	47,819,000
Saint John	1931	30,206,000
	1934	29,248,000
Montreal	1931	1,277,422,000
	1936	1,260,542,000
Winnipeg	1929	232,260,000
	1936	198,500,000
St. Boniface	1931	13,254,000
	1934	8,197,000
Brandon	1931	13,167,000
	1934	12,582,000
Moose Jaw	1929	18,647,000
	1935	16,459,000
Calgary	1929	63,000,000
	1936	57,617,000
Edmonton	1931	65,896,000
	1934	55,691,000

The analysis of Canadian municipal finance for the period 1930-1936 is based on a statement prepared by H. Carl Goldenberg, M.A., for the Dominion Conference of Mayors, March, 1936.

COMPARATIVE REAL ESTATE VALUATIONS
FOR ALL MUNICIPALITIES IN SEVERAL OF THE
PROVINCES

TOTAL ONTARIO MUNICIPALITIES	1933 1934	\$2,817,352,000 2,702,400,000
TOTAL MANITOBA MUNICIPALITIES	1932 1934	539,012,000 495,428,000
TOTAL QUEBEC MUNICIPALITIES	1930 1933	2,451,644,000 2,192,446,000
TOTAL ALBERTA MUNICIPALITIES	1930 1933	645,417,000 567,605,000

"The decline in the assessed value of real property during the period was accompanied by a general increase in the tax rate, typified in the following cases:

MUNICIPALITY	YEAR	TAX RATE (PER \$1,000)
EDMUNDSTON	1930 1935	20.4 23.
KITCHENER	1929 1935	36.75 41.7
HULL	1931 1936	15. 18.
OTTAWA	1930 1935	31.35 36.80
MONTREAL	1931 1936	24.8 27.7
WINNIPEG	1929 1935	33. 34.5
SASKATOON	1933 1935	42.9 44.9
CALGARY	1929 1935	44.5 50.
NANAIMO	1929 1935	47. 55.

"3. The increase in the tax rate and in the tax levy did not result in the necessary increased revenues. To the contrary, it but served to increase tax arrears and to reduce the percentage of current taxes collected, as is shown by Tables "H" and "I":

MUNICIPALITY	YEAR	TAX ARREARS
EDMUNDSTON	1930	33,330
	1935	97,885
HULL	1931	313,233
	1935	571,782
MONTREAL	1931	15,050,000
	1935	23,055,000
OSHAWA	1929	230,301
	1935	601,559
WINNIPEG	1931	4,818,000
	1934	6,288,000
BRANDON	1931	352,999
	1934	416,679
MOOSE JAW	1933	1,285,000
	1935	1,650,000
SASKATOON	1929	1,134,000
	1935	2,969,000
LETHBRIDGE	1929	128,096
	1935	410,393
EDMONTON	1932	1,754,000
	1935	2,130,000
VICTORIA	1930	448,396
	1935	751,694

"I"

MUNICIPALITY	YEAR	CURRENT TAXES COLLECTED, PERCENTAGE OF LEVY
TORONTO	1934	78.7
OTTAWA	1934	82.5
BRANTFORD	1934	72.9
SUDBURY	1934	62.7
PEABROKE	1934	66.4
KITCHENER	1934	83.4
MIMICO	1934	54.7
WINDSOR	1934	74.3
WINNIPEG	1934	66.5
VANCOUVER	1935	79.4

"Increasing tax arrears, moreover, led to an increase in the number of properties sold for non-payment of taxes. The reversion of properties to the municipalities in turn led to a decrease in taxable assessment.

4. Declining tax revenues and increasing municipal responsibilities had the effect of dislocating municipal finances and necessitating increased borrowing. The following comparative figures illustrate the extent of the added municipal burden.

"J"

MUNICIPALITY	YEAR	UNEMPLOYMENT RELIEF (NET MUNICIPAL EXPEND- TURE)
MONTREAL	1931	\$2,309,000
	1935	6,224,000
HULL	1931	24,946
	1934	110,769
KITCHENER	1931	46,304
	1935	102,000
WINNIPEG	1931	905,750
	1935	1,836,000
MOOSE JAW	1930	148,738
	1935	225,108

"J" (Con.)

MUNICIPALITY	YEAR	UNEMPLOYMENT RELIEF (NET MUNICIPAL EXPENDITURE)
SASKATOON	1930	\$ 4,231
	1935	290,671
CALGARY	1930	52,300
	1935	799,009
EDMONTON	1930	87,840
	1934	545,543
VICTORIA	1930	50,785
	1935	160,068

"5. The necessity of capitalizing unemployment relief expenditures, together with new capital expenditures, resulted in a marked increase in municipal indebtedness and a consequent increase in the charge against real property.

"K"

MUNICIPALITY	YEAR	GROSS FUNDED DEBT
MONTREAL	1931	\$212,823,000
	1936	268,842,000
SHAWINIGAN FALLS	1930	2,031,000
	1935	4,116,000
WINNIPEG	1929	58,800,000
	1934	66,352,000
SASKATOON	1929	11,983,000
	1935	14,122,000
TOTAL QUEBEC MUNICIPALITIES	1930	323,395,000
	1934	420,558,000
TOTAL NOVA SCOTIA MUNICIPALITIES	1930	20,182,000
	1934	33,313,000

"In addition to the funded debt the period witnessed an increase in the floating debt of municipalities, for example:

"L"

MUNICIPALITY	YEAR	NATURE OF DEBT	AMOUNT
WINNIPEG	1934	Floating	\$4,692,000
	1935	"	7,018,000
SASKATOON	1929	Bank Loans	45,800
	1935	"	962,500
LETHBRIDGE	1929	Bank Overdraft	12,000
	1935	"	124,000
OSHAWA	1929	Bank Loans	220,968
	1935	"	475,000
ALL ALBERTA	1930	Unpaid Temporary	5,373,000
MUNICIPALITIES	1934	Loans "	8,631,000

"6. As a result of the increase in municipal indebtedness debt charges now absorb a large proportion of the annual revenues, to the detriment of essential municipal services. The following cases illustrate this point.

MUNICIPALITY	YEAR	TAX LEVY	DEBT CHARGES
HALIFAX	1936	\$2,146,000	\$ 504,218
OTTAWA	1935	6,500,000	1,660,000
MOOSE JAW	1935	900,209	456,000
EDMONTON	1934	4,409,000	1,683,000
CALGARY	1934	3,781,000	987,198
VANCOUVER	1935	11,063,000	4,606,000
MONTREAL	1931	31,418,000	12,266,000
	1936	34,015,000	18,778,000
LETHBRIDGE	1927	427,232	58,917
	1935	409,157	102,704

"An example of the condition of the smaller cities is Shawinigan Falls, Quebec, which, during 1934, devoted 62% of its revenues to the payment of debt charges. The strain imposed by such a burden has been the principal cause of defaults in a number of municipalities in both eastern and western Canada.

7. The diversion of an unduly large proportion of annual revenues to debt charges necessitated a reduction in expenditures on essential municipal services. The following cases are in point:

"N"

CITY OF WINNIPEG

	POPULATION	FIRE PRO- TECTION	POLICE PRO- TECTION	HEALTH SERVICES	HIGHWAYS & BRIDGES
	209,286	\$771,975	\$610,755	\$803,065	\$617,616
	223,017	672,345	573,709	580,092	505,865

CITY OF MOOSE JAW

	POPULATION	GENERAL EXPENDITURES
	21,000	\$ 802,751
	21,000	729,774

CITY OF CALGARY

	POPULATION	EDUCATION	CURRENT ADMINISTRATION
	80,000	\$1,401,000	\$1,111,000
	87,000	1,283,000	951,479

CITY OF VICTORIA

	POPULATION	STREETS & SIDEWALKS	SANITARY WORKS	SEWERAGE
	39,000	\$81,968	\$53,616	\$42,150
	39,200	44,857	46,323	23,381

CITY OF MANITOBA

	POPULATION	SCHOOLS	PUBLIC WORKS
	6,740	\$67,871	\$57,272
	6,800	62,179	30,643

CITY OF MONTREAL

	POPULATION	CURRENT ADMINISTRATION EXPENDITURES	DEBT CHARGES
	818,577	\$ 16,480,000	\$12,206,000
	875,000	17,359,000	18,778,000

ALL ONTARIO MUNICIPALITIES
(CITIES, TOWNS & VILLAGES AND TOWNSHIPS)

Year	LEVY FOR SCHOOL PURPOSES
1929	\$ 37,847,000
1934	35,033,000

It is evident from the foregoing that the financial problem confronting many Canadian municipalities by the close of 1935 was onerous in the extreme. The following statement prepared for a meeting of the Dominion Conference of Mayors, March, 1936, epitomizes the factors leading up to this condition.

"1. The duties and responsibilities of municipalities have increased without a proportionate increase in the power to raise the revenue necessary to meet their new obligation;

2. Having regard to these increasing duties and responsibilities real property, the principal source of municipal revenue, is no longer an adequate basis of taxation;

3. Declining revenues accompanying diminished assessments and increased rates have necessitated a greater resort to borrowing, thereby increasing still further the charge against real property and discouraging new construction and home ownership;

4. Debt charges and the increasing cost of social services and particularly of unemployment relief are absorbing a continually increasing proportion of annual revenue and are tending to paralyze normal municipal services.

5. Forced economies in current municipal services are resulting in a huge accumulation of deferred maintenance and expansion.

6. Having regard to the heavy burden of debt charges; further economies in ordinary expenditures can afford no material relief to the taxpayers of the municipalities.

It follows from the foregoing that an immediate reform of the system of municipal taxation and a re-distribution of powers and functions between the different units of government, with an appropriate readjustment of

"their respective powers of taxation and of their financial relationships, are urgent. Failing immediate action a large proportion of the municipalities of Canada face bankruptcy."

That statement, Mr. Chairman, was prepared probably two years ago.

THE CHAIRMAN: How does the general condition of municipalities to-day compare with that of two years ago, as mentioned in that statement?

MR. MOONEY: That is covered in the next section, Mr. Chairman.

1936--1937

"A review of municipal finance for the years 1936-1937 indicates that while there is evidence of some improvement in the financial affairs of many municipalities, and of substantial improvement in a few, by and large there has been no great change from that prevailing at the end of 1935.

PROPERTY TAXATION

Municipal income from real estate has, on the whole, experienced a further decline. (See Table III. in the Addendum.) This decline is due to a variety of reasons, some healthy, and others not so. For instance:

(a) In a recent survey published by a responsible research agency (Citizens' Research Institute of Canada), it is reported that of 116 municipalities listed, 75 have reduced, in most cases slightly, the amount of tax levy in 1937 compared with 1936.

"(b) It is further stated that a healthier trend towards a prompter collection of the current levy is manifest in most cities reporting. In 1937, 97 of the 116 municipalities had collected an increased percentage of the current levy at the reported date, compared with the same date in 1936.

(c) The collection of tax arrears has continued to increase in general, although at a modified pace, indicating the possibility, in many instances, that part of the amount is, under existing conditions, uncollectable, and should be so regarded. It is interesting to note that many of the municipalities have set up, or are setting up, reserves for this purpose. (See Table III. in the Addendum.) While 72 of the 111 municipalities reporting this item had better collection of arrears at the reported date in 1937 compared with 1936, yet 30 of these cities showing such improvement in the percentage of current tax levy collected showed a decrease in percentage of arrears collected.

(d) Evidence is available which seems to indicate that the backlog of property tax arrears has tended to level off during the past two years, and providing no further recession hits the country, would appear to have reached its peak. In this connection it is worth noting that while there have always been tax delinquencies, the present accumulated total has reached near-monumental proportions. In several cities the amount of

"tax arrears is now larger than the current tax levy for all purposes. (Ibid.)

Factors on the debit side of municipal tax income indicate the following:

(a) Some municipalities report a sustained volume of delinquency in tax payments. A few report an increase.

(b) Other cities state that real property abandoned by its owners, has continued to revert to the municipality, although in lesser volume than in previous years.

(c) Moreover, some cities report that poor or non-revenue producing properties, residential and commercial, have been demolished by the owners in order to escape taxation. The consequent reduction in the bulk of privately owned property has reduced the live assessment. (Brief of the City of Winnipeg to the Royal Commission on Dominion-Provincial Relations).

(d) Further, property owners have clamoured for lower assessments to such an extent that many municipalities have experienced the greatest difficulty in maintaining the present assessed values.

(e) Finally, new construction has not been of sufficient proportions to replace the loss entailed by the withdrawal from the tax rolls of large holdings of taxable property.

COST OF UNEMPLOYMENT RELIEF ²

The costs of unemployment relief in most
(2. See Table VI. in the addendum)

"municipalities have been lower during 1936 to 1937, than in the previous four years. Some cities have discontinued relief entirely.

Of 55 cities for which the facts are available, 38 report a decrease in the net municipal cost of direct relief in 1936 over 1935, and 17 report an increase; 10 cities met their complete share of the cost by borrowing, and 11 partially by borrowing and the balance from taxation; 34 cities met their full share of direct relief costs from current taxation. Since the inception of unemployment relief, 21 of these cities have met their share of the cost from current taxation; 4 have borrowed the entire amount; 30 have borrowed in part.

The average term for direct relief borrowings for 33 cities for which the information is available is shown in the following table:

	Less than 5 yrs.	5 yrs	10 yrs	15 yrs	20 yrs
Number of Cities	3	6	8	4	9
Number of Cities	Less than 50 years---5.				

GENERAL DEBT

Of 52 cities for which the data is available, 41 show a decrease in their net debenture debt at December 31st, 1936, over the previous year; while 11 show an increase. Of 50 cities, 28 show a decrease in their floating debt over the previous year, and 22 show an increase.

THE CHAIRMAN: I suppose where these cities show a decrease in the debenture debt, it is because of the

payment of debentures through the sinking fund, is it?

MR. MOONEY: Yes.

ALDERMAN BIGGAR: And serial maturities.

THE CHAIRMAN: I see.

MR. MOONEY: Continuing with the Brief at page 35:

"On the whole, the municipal debt situation during 1936-1937 reflects a temperate mood in the spending habits of local governments.

CURRENT FINANCIAL OPERATIONS

Municipal budgeting has been less subject to unpredictable expenses and more assured of a minimum shrinkage in the annual tax levy than during the depression years. This condition has reflected itself in balanced budgets and operating surplus. Of 61 cities for which the data is available, 46 report a credit balance on current operations during 1936 and 15 report a deficit. (See Table I. in the Addendum.)

OBSERVATIONS BASED ON AN EXAMINATION OF THE MUNICIPAL DEBT TREND SINCE 1900.

I. In any attempt to evaluate the comparative status of Canadian municipalities it should be borne in mind that their individual and separate base of economic support is found in widely differing conditions.

For instance, the three Prairie Provinces are in the main agricultural areas. Urban development in the Canadian West took place within a span of 30 to 40 years. The relatively few large urban centres which have arisen

"are geared in to a singularly undiversified agricultural economy and subject to its fortunes. In relation to the extent of territory, the total urban population is comparatively small and scattered. Most prairie cities are of less than 5,000 population. But small or large certain essential municipal services such as roads, schools, water supply, etc., must be provided. Transportation costs on building and other materials have tended to make western municipal costs relatively high. Credit terms have been, generally speaking, higher to western municipalities than to eastern.

In the populous and highly industrialized provinces of Ontario and Quebec a different economic base prevails. Not only is agriculture highly diversified, but industrial production is even more so. Cheap electric power and easy access to markets tend to reduce costs and increase profits. The resultant effect on municipal expenditures and income makes for more economical costs and a proportionately higher and more stable taxation source. Expenditures on the development and improvement of real property (residential, commercial and industrial) are proportionately higher per capita in Ontario and Quebec than elsewhere in Canada. The aggregate volume of municipal income is thus proportionately greater.

British Columbia and the Maritimes are in

"turn subject to peculiar local economic conditions, which, to the extent that they are different, are reflected in the costs and incomes of local governments. The condition of the export lumber market, the market for fruits and field crops, the demand for coal, fish, and the general movement of ocean-going transportation, all have their impact, favourably or unfavourably, on the financial administration of urban governments.

As a consequence it is difficult, if not impossible, to apply the same yardstick of evaluation in comparing the debt trends of Canadian municipalities, either as to the cause and justification of such debts, or the relative efficiency and good government which prevails among these cities.

2. Due consideration should be given in evaluating the reasons leading to the increase in Canadian municipal debt during recent decades to the fact that, in the period, developments in all endeavours proceeded at an unusually rapid rate. Municipal administrators were subject to the psychological influence of an expanding economic structure. Construction reached a record height. Industrial activity mounted to peaks never before attained. Standards of living exceeded those of any previous time. It was only natural to expect that those charged with the conduct of local government, encouraged in large measure by those who had money to lend, should undertake works involving heavy capital expenditures,

"in keeping with the general atmosphere.

The consequences of this procedure, coupled with the ever-rising standard of public education and the innovation of many new social services, all of which were a charge on real property, led to a situation in which during the immediate post-war years, the costs of municipal government were fast outstripping the available source of municipal income.

3. During recent years the obligations for unemployment relief, which were never contemplated in the original municipal setup, and the general decline in real estate values and rentals, have had the effect of wiping out any margin of safety which most Canadian municipalities still possessed prior to 1929.

4. Most Canadian municipalities today are assuming obligations obviously beyond their present earning capacity.

(Page 3295 follows)

RECAPITULATION

"We believe we have submitted sufficient fact and argument throughout the body of this statement to support the following conclusions:

- (a) The demand for local self government was one of the propelling forces which led to Confederation itself.
- (b) The wide diversity in municipal institutions, which existed at the time of Confederation, has persisted down to the present day.
- (c) Canada was essentially a rural domain in 1867. Today it is dominantly urban. The villages and towns of seventy years ago have become modern thriving cities. Metropolitan regions are a new phenomenon in the urban scene.
- (d) The pattern of government conceived by the Fathers of Confederation is being strained by attempting to fit it to the needs of the larger urban centres. New and expanding relations with the Federal Government are made difficult by the existing limitations.
- (e) Urban wealth in 1867 was largely reflected in the ownership of real property. New avenues of investment have diverted wealth into other channels not subject to taxation by local governments.
- (f) Education and the costs of social services have grown to such proportions that the limited tax base available to municipalities is no longer adequate for these purposes.
- (g) The costs of unemployment relief are not a responsibility of local governments. Even a partial assumption of these costs has forced many municipalities into default, and is

threatening others.

(h) The present division of the burden of government is inequitable so long as the present allocation of public functions remains without some compensating reallocation of tax revenue, or some substantial and assured income from grants-in-aid.

Bearing these conclusions in mind, the Canadian Federation of Mayors and Municipalities, on behalf of its constituent members, submits the following recommendations:-

- I. THAT THE FEDERAL GOVERNMENT RELIEVE THE MUNICIPALITIES OF THE FULL COST OF ALL FUTURE UNEMPLOYMENT RELIEF.

At a meeting of the Dominion Conference of Mayors, held in Montreal, March 25th - 26th, 1935, a strongly worded resolution was passed calling upon the Federal Government to take over and assume the entire cost of unemployment relief throughout the Dominion.

At subsequent meetings of Provincial Unions of Municipalities and of many City Councils in all of the provinces, similar resolutions have been passed and submitted to the senior authorities.

Municipalities are unanimous and insistent that they be relieved of the burden of unemployment relief.

This is demanded for the following reasons:

(a) Unemployment, in a period of economic recession, is not peculiarly of local origin. It is in the nature of a national emergency. As such, it is a national responsibility.

1. This principle is tacitly implied in the action of both the present and the

former Federal Government in sponsoring an Act for Unemployment Insurance.

2. It was affirmed by the present Federal Government by virtue of the appointment of a National Employment Commission.

b. Some provincial governments can no longer assume any responsibility for unemployment relief and have declared their inability to do so.

THE CHAIRMAN: You do not draw any distinction here between unemployment due to economic causes and those who are unemployable due to physical or mental disabilities. Did your association consider that?

MR. MOONEY: No distinction is drawn in the report, your Lordship, between the two classes of employed to which you refer. Unemployment growing out of the recession of the last six years affecting an individual entirely apart from his physical condition is unemployment in the sense in which we are using it. Indigency reflected because of the physical incapacity of the individual is not part of this general argument which we are presenting.

c. The cost of unemployment relief has been improperly imposed upon the municipalities from its inception. It never should have been a municipal burden, bearing in mind the limited taxation base available to the municipalities.

d. The resultant cost has had the effect of breaking down the financial structure of many urban centres. Some municipalities have been forced to default either on capital or interest indebtedness, or on both. Others are in like peril.

e. The present division of financial responsibility for the costs of unemployment relief results in discriminative practices affecting property tax-payers, the recipients of relief, and the finances of local government. The property-owner, a minority of the urban population, is inescapably responsible for the municipality's share of relief costs. The recipient of relief, inasmuch as the standards of relief vary greatly from city to city, and in some municipalities there is no unemployment relief, is subject to discrimination depending on his place of residence. Finally, the municipalities themselves, having to borrow vast sums of money for unemployment relief, are subject to differing rates of interest for such money, depending on their individual credit standing.

f. Abundant evidence is available to show that in recent years:

1. Tax levies on all real property have been increased.
2. Collection of taxes and other civic revenues have steadily decreased.
3. Assessable valuations of land and improvements have decreased.
4. Tax arrears have steadily increased.
5. Much property has reverted and more is liable to revert to municipalities on account of non-payment of taxes.
6. The costs of new social services have been imposed on many municipalities.
7. On account of decreased revenues, many municipalities have been unable to maintain

at proper standards the necessary services in respect to streets, sewers, sidewalks, water distribution, parks, boulevards, school buildings, public works, improvements, repairs and other essential requirements of municipalities.

g. These intolerable burdens can no longer be borne by the municipalities or their tax-payers.

h. The situation is presently so serious, particularly in the Prairie Provinces, as well as in some of the larger eastern cities, that immediate action is required.

The Peace, Order and Good Government of the Nation continue to be imperilled by reason of these conditions. It is an injustice to expect the municipalities to continue on the present basis. Indeed, they cannot, even if they were so minded. The stern reality of financial reckoning has brought many municipalities to the impasse of threatening default.

II. THAT THE FEDERAL AND PROVINCIAL GOVERNMENTS PAY MUNICIPAL TAXES, OR GRANTS IN LIEU THEREOF, AND LOCAL IMPROVEMENT OR BETTERMENT CHARGES, ON ALL CROWN LANDS WITHIN MUNICIPAL CORPORATIONS.

THE CHAIRMAN: Well, perhaps you would explain that more. You mean all occupied or unoccupied Crown lands within municipalities.

ALDERMAN BIGGER: The argumentation is pretty well detailed under that item, my Lord.

THE CHAIRMAN: Yes, thank you.

a. The cities of Halifax, Quebec and Esquimalt,

in particular, argue that Crown lands within their municipalities are used largely for National Defence purposes and, as such, it is an injustice to expect local citizens to pay the costs of municipal services rendered on behalf of such Crown Lands, but rather that these costs should be borne by the Nation.

b. The fact that Crown Lands amount to a substantial proportion of the total property in some municipalities while in others the proportion is negligible is in itself an inequitable imposition on those communities where the proportion is relatively large. The burden of Crown lands Exemption falls heavy therefore on certain cities while others escape with minor or no responsibility for its municipal costs. Perhaps the most striking case is that of the municipality of Esquimalt. Referring to the of the Department of Municipal Affairs of the Province of British Columbia for the year 1935, the figures for Esquimalt are as follows:

Taxable Value of Land	\$1,192,529.00
Taxable Value of Improve- ments	1,577,420.00
Land and Improvements Exempt	9,155,190.09

This situation is very largely due to the enormous holdings of Government property in this municipality, and more particularly to the construction of the large Government Dry Dock. But though we make every possible allowance it is a striking example of the variation of Crown holdings in municipalities, and indicates the injustice of the Federal Government's insistence

on Crown lands exemption.

c. Similarly, with reference to the exemption of property held and operated by the Canadian Railways, the City of Moncton provides us with a good example. The facts are as follows:

Assessed Value of Taxable Real Estate

Land	\$ 2,731,763
Buildings and Improvements	11,601,815
	<hr/>
	\$16,333,578
	<hr/>

Assessed Value of Federal Government Exemptions

Dominion Government

A. Dept. of Public Works	\$ 517,000
B. Canadian Natl. Rys.	8,500,000
	<hr/>
	\$ 9,017,000
	<hr/>

THE CHAIRMAN: Mr. Mooney, just a moment before passing from this Moncton illustration. I was under the impression that the Canadian National Railways, generally speaking, were subject to municipal taxation. Am I wrong in that?

MR. STEWART: That is not true in the old Intercolonial, sir, from Halifax to near Diamond Junction.

THE CHAIRMAN: The Canadian National Railways through Ontario, as I recall it, is subject to municipal taxation in the various municipalities through which it passes.

MR. STEWART: The old Intercolonial was directly owned by the Government and was exempt from taxation.

THE CHAIRMAN: Thank you.

"The Federal Government, in cooperation with some of the Provinces, has created corporations to lend moneys to farmers and to establish returned soldiers on the land. These lands have by legislation been exempted from municipal taxation so long as the Crown has an interest therein. Though revenue-bearing, these lands do not, therefore, share in the cost of local municipal services and, as a consequence, some municipalities are seriously crippled by having a large acreage of such tax-exempt lands within their boundaries. The Government of Manitoba has made some concessions with respect to Manitoba Farm Loan Association lands. But the Canadian Farm Loan Board and the Soldiers' Settlement Board still hold to the principle that their lands are not taxable; and that no contribution in lieu of taxes is due. Settlers on such lands, however, require, demand, and enjoy services such as good roads, schools, police protection, medical services, relief, and these services cost money and must be paid by someone. Municipalities claim that Crown lands used for such revenue producing purposes should pay local taxes. "

THE CHAIRMAN: Mr. Mooney, are you sure you are correct in that statement? If the land is occupied for farming is it not subject to municipal taxation, even though the title may have reverted to the Farm Loan Board?

MR. MOONEY: According to our information that statement is correct. It was given to me at a meeting with the Manitoba Municipalities Association in Winnipeg, a matter of about four weeks ago, and it was on the basis of their statement that I incorporated ^{it} in the brief.

COMMISSIONER DAFOE: I have always understood that the land either of the Soldiers' Settlement Board or of the Manitoba Farm Association paid taxes if it was in occupation and being cultivated. I think that recently the Manitoba Government have been making some allowance for land which is not being occupied and is free from taxation.

MR. MOONEY: Yes, I do point out that in their own Farm Loan Association they have made recent concessions.

THE CHAIRMAN: We will have to check up on that and see what is the situation.

MR. MOONEY: Yes, quite so. I continue with the brief.

" c. Again, most municipalities have located within their boundaries government buildings exempt from taxation. Some contribution from the Crown should be made with respect to the costs of local public services which the businesses carried on in such buildings enjoy, along with the local land taxpayer.

f. Municipalities also feel that public utilities such as telephones and hydro electric projects when operated by the governments should bear some of the cost of local taxation.

g. Likewise, that government operated liquor stores should pay their share towards the cost of municipal services."

THE CHAIRMAN: When you say "some of the cost" what do you mean by that, Mr. Mooney? Do you mean they should be taxed on the same basis as privately owned utilities or have you some other basis of taxation in mind?

MR. MOONEY: Alderman Bigger would like to answer that.

ALDERMAN BIGGER: In the Province of Quebec in certain municipalities we have two rates of taxation.

One of them applies to all exempt property, including church property and other property of that category, which would be similar to the Crown lands and it is a tax they bear for police protection, street lighting and other services, which are general services, no matter who you may be. There you have the two principles underlying taxation. One is a share of the revenue of the property which goes to the general upkeep and the other is a share of the cost of services. And I think you could very easily find a basis to divide the cost of government into two taxes, one of which would apply to the general valuation roll and the other to the exempt valuation roll.

THE CHAIRMAN: In the brief of the City of Winnipeg they contend the publicly owned utilities there, particularly the telephone, should bear taxation on the same basis as privately owned. They said there was no reason, according to their point of view, why, when the Government took over the telephone system, the municipality should suffer any reduction in its assessment and taxable income. Their contention was that the basis should be the same for the publicly owned and privately owned utilities and I was just wondering whether that was the general view or whether your view was that there should be a distinction between the rate at which publicly owned utilities should be taxed as compared with privately owned utilities. Was there a difference there?

ALDERMAN BIGGAR: It would depend to some extent on the philosophical principle of the provincial government involved. If you are in favour of public ownership you might make a discrimination in favour of it. If you were against public ownership you might penalize it by

taxing it for the amount. You cannot make a brief up for the whole of Canada on a municipal basis without running into a very definite conflict of opinion on fundamental things. We have taken the information available and we submit it to you after digesting it in the best possible way we can. I am quite sure you would treat them differently in different provinces.

MR. MOONEY: Mayor Lewis of Ottawa would like to say something on this question.

MAYOR LEWIS: Mr. Chairman, with regard to Section "E" I would draw your attention to the fact that the government buildings in the City of Ottawa are exempt from taxation. If they were taxed on the basis of the ordinary property owner it would mean a possible reduction of nine mills in the tax rate of the City of Ottawa. At the present time we receive from the government a contribution of \$100,000 a year. We use a mill rate as a basis of approximately \$152,000. They make a grant to us yearly of \$100,000 for services -- particularly for fire services.

THE CHAIRMAN: I suppose the government would answer you that if the government buildings were not here and the civil service established here, there would not be much of Ottawa.

MAYOR LEWIS: I might agree with your Lordship, but some other municipality might have that same burden.

THE CHAIRMAN: There was a clear distinction drawn in the municipal briefs in Manitoba between public utilities owned by governmental authorities and governmental buildings used for the public service. I do not think they suggested that buildings used for the public service and carrying on of the government of the country should be subject to municipal taxation. They did suggest that all utilities should be taxed

on the same basis as privately owned utilities.

ALDERMAN BIGGAR: It is my information, My Lord, that the employees of the Dominion Government Defence Department in Esquimalt live in government owned houses on government land. I may be wrong, but that came to me from the city clerk of Esquimalt when I was in Vancouver. They have absolutely no revenue from that establishment, yet they have to maintain all those people in their community services.

THE CHAIRMAN: That would appear to be a case for consideration as distinct from a property used solely for public purposes.

ALDERMAN BIGGAR: I think we would prefer to leave it in its general aspects as having been brought to the attention of the provincial and federal authorities as something to be thoroughly investigated and to some extent cured.

MAYOR LEWIS: Mr. Chairman, would not postal buildings be in that category too? Postal buildings in each municipality are revenue producing. And the Royal Mint.

THE CHAIRMAN: Sometimes they show a surplus and sometimes a deficit.

ALDERMAN BIGGAR: I would not like to have that theory of taxing for the Canadian National Railways.

MR. MOONEY: Sections "F" and "G", Mr. Chairman, refer obviously to provincial property owned by the Provinces, but we have included them in this general statement in order to reflect the general point of view of the municipalities on the total question.

THE CHAIRMAN: Yes, there does not appear to be any sound reason why those liquor stores should not pay their fair share of taxes or why the municipalities should provide the services for those stores. And it may be the same applies to the public utilities which are being

carried on for profit. There does not appear to be any reason why the municipalities should bonus them and they not pay taxes.

MAYOR LEWIS: In reference to the liquor store taxation I understood while in Toronto last week that the Ontario Government considered it and had advised the Mayor of Toronto that they would be allowed to collect taxes for such buildings.

THE CHAIRMAN: In the City of Winnipeg -- Dr. Defoe can correct me if I am in error -- I think the government there does pay a sum to the municipality estimated upon the same basis as taxation on the liquor stores would amount to..

MR. MOONEY: Alderman Bigger suggests the example is stretching eastward and it may catch up even as far as the Province of Quebec. I continue with the brief:

" III. THAT THE FEDERAL GOVERNMENT CREATE THE LEGAL MACHINERY FOR A MORE SATISFACTORY HANDLING OF THE PROBLEM OF MUNICIPAL DEBT. CONSIDERATION SHOULD BE GIVEN TO THE ENACTMENT OF A MUNICIPAL DEBT ADJUSTMENT ACT.

A municipality, unlike a private corporation, is unable to wind up its affairs, declare itself bankrupt, and emerge as a new legal entity. Nevertheless, like private corporations, municipalities do have their periods of financial distress. But, whereas private corporations at a time of financial difficulties have legal machinery to facilitate arrangements with their creditors, municipalities enjoy no such accommodation. There is a lack of some orderly legal procedure for municipal refunding and debts adjustment, in order to prevent the threat of court action by recalcit-

rant minority creditors.

This matter was discussed at the Winnipeg hearings of the Royal Commission. Discussing the problem of Manitoba municipalities, Hon. W.J. Major, Attorney-General of Manitoba, said that Manitoba had machinery for such adjustment but it was questionable whether the province had power to compel creditors to accept settlement proposals. Chief Justice Rowell noted the Dominion Bankruptcy Act did not cover municipalities and it was doubtful if the Federal Government had power to legislate in that direction. (In the United States a 5-4 judgment of the United States Supreme Court held Congress did not have that power). Whether Canadian Courts would approve such a Federal enactment is not known. Chief Justice Rowell thought that an extension of the Companies' Creditor's Arrangement Act to include bankrupt municipalities might cover the need. In any case, wherever the power may lie, a minority of creditors should not be able to block a reorganization plan when the majority have approved."

THE CHAIRMAN: I do not think observations made in the course of a discussion should be stated as a basis of a serious brief. We make observations as we go along on the ideas that strike us. However, I see no reason for receding from those observations.

MR. MOCNEY: There seemed to be a good basis for making use of them in the brief.

THE CHAIRMAN: Undoubtedly the problem is one of considerable difficulty. You may have suggested the solution of it here in the further part of the brief. Have you? If you will read on to the end of the clause

we will see.

MR. MOONBY: All right.

"There are two points of view on this question. Some municipalities believe that such an act is absolutely essential to save municipal credit and to deal with those defaults now threatening. Others hold that such legislation would be a forerunner of the ruin of municipal credit, and would adversely affect those municipalities which presently enjoy favourable credit terms.

It cannot be denied that the absence of any legal machinery for the adjustment of municipal debt has proven costly to those communities which, unable to meet their maturing funded obligations in full and having come to terms satisfactory to the great majority of their creditors, have found themselves blocked by a small minority.

It would seem reasonable to suppose that were such an act provided for the handling of municipal debt, it could have incorporated within it safeguards restraining municipalities from too readily seeking its protection. Municipalities should be guided not only as to when to use such an instrument but as to when not to use it.

(It is interesting to note that in the United States, following the passage of the Federal-Municipal Debt Adjustment Act, only a few municipalities made use of its facilities. A competent observer, Paul V. Botters, Executive Director of the United States Conference of Mayors, in explaining this situation states: 'The fact is the law has served to bring the minority

creditors into line with the will of the majority of the creditors and the defaulted governmental unit. Consequently, a number of very important refunding operations have been brought about without the necessity of utilizing the measure.' It would appear, therefore, that experience in the United States shows that while little use was made of the procedure set up by the law, (later declared unconstitutional), that, nevertheless, its presence on the Statute books made possible the successful working out of many serious municipal debt situations).

Nothing contemplated in this proposal presupposes that such an Act would make possible a general scaling down of municipal debts throughout the Dominion. It envisages purely a legal machinery for orderly municipal debt adjustment, applicable only to a city where the responsible officers of the city itself and a majority of its creditors all agree that the full amount of a maturing debt, or of its interest, cannot be paid. The mere postponement of maturity for a few years may be sufficient in some cases; for other cities it may be advisable to have a moratorium declared on certain parts of the debt, with a provision for later review in the light of new developments.

Nor should it be construed that by recommending a Federal enactment that the municipalities are suggesting any limiting or impairing of the power of any of the provinces to control their own political subdivisions. Any Federal Act would have to conserve these Provincial prerogatives. But that a uniform Federal Law in these matters would best

serve the interests of local governments throughout all the Provinces is the serious contention of municipalities in widely different parts of the country."

COMMISSIONER ANGUS: How can one measure the solvency of a municipality when it is still in dispute whether the Dominion should take over relief costs and whether perhaps a number of the provinces should take over some of the educational costs? If things like that are uncertain, can one say at any moment that the municipality cannot meet a long term contract or can meet it?

ALDERMAN BIGGAR: Mr. Chairman, the answer to that question would be this: If you allow that municipality to take advantage of the pleasant sensation of not meeting its debts, it will get the habit. While these constitutional and finance questions are being discussed municipalities are getting those habits; whereas if there was legal machinery available you might put in some control. A creditors' representative might sit in the treasurer's office -- that has been done before, -- and a temporary moratorium could be created. The danger of municipal default is that it is like an injection of strychnine; it is a swell feeling if you stop paying your debts but it does not help you so much in the long term. In the handling of those temporary situations there is no control today. The municipality goes along so far until finally the citizens become exasperated and they stop paying and you cannot start them again without a great deal of effort. It is the preventing of that crisis becoming effective that causes us to make a recommendation for an orderly handling.

MR. MOONEY: I Continue with the brief:

"IV. THAT CONSIDERATION BE GIVEN BY THE
FEDERAL GOVERNMENT TO SOME METHOD
WHEREBY INTEREST RATES TO LOCAL
GOVERNMENTS THROUGHOUT THE DOMINION
SHALL BE ON A MORE UNIFORM AND
EQUITABLE BASIS THAN AS AT PRESENT
EXISTS.

a. Virtually every municipality is compelled to borrow for current needs in order to tide itself over certain periods in the year when income from taxation slows up. In urban centres this period is, generally speaking, until such time as the annual volume of tax payments is sufficient to meet current expenditures. In farming districts tax payments generally follow the harvest season. In the meantime the costs of government must be met. The ability of local governments to discharge at maturity such short term borrowings, however, is, with a few exceptions, uniformly good. That sufficient income from taxation sources will be forthcoming to discharge any short term borrowing is conceded by virtue of the loan. The element of risk is negligible. The size of a city, its geographical location, whether it is situated in a rural or industrial area, the temperament of its municipal administration, bear very little, if any, relation to its capacity or disposition to faithfully fulfill its obligations so far as short term borrowings are concerned. But an examination of prevailing interest rates on short term local government borrowings, suggests that some municipalities enjoy a more favourable interest rate than do others.

Why the average rate on temporary borrowings for London and Swift Current should be 3%, while that accorded to Quebec and Kingston is 3.5%, is difficult to understand. Or why Amherst should be charged 5½% and its neighbour city Campbellton 6%, while Truro, a few miles away, is able to obtain its temporary financing at 4½% is equally difficult to appreciate. One is led to the surmise that an element of capriciousness enters into such loans which has the effect of prejudicing one city against the other insofar as their temporary financing is concerned.

b. Capital borrowings are admittedly in another category. Here, the element of risk is related to contingent factors which cannot always be foreseen. The vicissitudes which beset a western rural municipality are proportionately greater than those surrounding an industrial eastern city. Prudence, therefore, justifies a higher basic tariff in the rates charged for long term capital borrowings. Other factors of a local nature operate to lessen the interest rate to certain cities; while other factors tend to increase the rates charged elsewhere. The past credit record of a municipality must be taken into account. But conceding all these there would also appear to be some justification for the complaint of some cities that they are paying a higher interest rate on their debenture borrowings than their credit standing warrants."

THE CHAIRMAN: How do you suggest, Mr. Moonoy, that such a matter could be dealt with? Granting the premise which you set out in that statement that the interest rate depends upon the credit standing and all the other factors

mentioned, does not the current rate for money determine what the cost will be for long term borrowing?

MR. MOONEY: Mr. Chairman, we have made these recommendations as a rule general rather than specific. But in answer to your question I believe that there would be some merit in the proposition of considering the usefulness in the Dominion, for governmental borrowings, of a National Loan Council, within the scope of whose activities a method might be devised which would serve the purpose of equalizing the interest rates to municipal governments.

THE CHAIRMAN: Is it the view of your association that there should be a National Loan Council?

MR. MOONEY: No, we are not offering that at all. I offered that as a personal opinion.

THE CHAIRMAN: Yes. Take the debentures of a municipality; they are purchased by investment bankers for resale. One cannot see why the competition for these, the desire to acquire them for the purpose of resale, would not determine the rate, subject to the conditions you have mentioned; namely, the financial standing of the municipality and the other factors. I do not at present just see how any Dominion regulation could help such a situation.

MR. MOONEY: I am not so sure that a Dominion regulation would help it. It might conceivably be provincial, as Alderman Biggar suggests. It might not be a regulation at all that we need but a new instrument for the purpose.

THE CHAIRMAN: What new instrument that the Dominion could create could produce that result in the absence of some control?

ALDERMAN BIGGAR: My Lord, some of these submissions are definitely submissions that may be of primary

importance to the provincial government in their relation with the municipalities. We are not only submitting recommendations for Dominion control. I think that some of the evidence that has come to our attention through the circulars filled in by the municipalities would indicate that improvement of interest rate allowances may be made in provincial territories very easily.

THE CHAIRMAN: I can quite understand that the province which has control of municipalities and control of municipal borrowing may exercise that control in a way that might insure greater uniformity in interest rates. I think that in Saskatchewan no municipality can borrow without authority of government set up and provided in that province. In that way some measure of control could be exercised over the debts incurred and therefore over the credit standing of the municipalities.

ALDERMAN BIGGAR: Of course, there is that control in every province. The principal complaint is on short term borrowing. We cannot as an association guarantee that we speak without criticism amongst some of the municipalities. That unanimity cannot be obtained. But again I make a suggestion, my Lord, that one of the great needs of governments in Canada, other than the Federal Government, is a short term market, such as the Federal Government has recently created through the Bank of Canada. That short term market of three-quarters of one per cent is only available to the senior governments. Some of the other governments need that market or a similar market. The short term market is free in certain centres very much below what the municipalities are paying because they cannot borrow in the open short term market and they are not allowed to. In the Montreal Metropolitan Commission we have had many hundreds of thousands of dollars offered

to us by private sources below the rates we are paying for short term money and we cannot take it.

THE CHAIRMAN: Why cannot you take it?

ALDERMAN BIGGAR: We are not allowed by our charter to do so. It is the general question of the short term market for governmental units other than the Federal government which has now created its own. The other question of long term rates is going to be a perpetual complaint and it has always existed.

THE CHAIRMAN: Yes, the question to which I was directing my observations was the long term.

MR. MOONEY: I continue with section V:

" V. THAT IN FUTURE NO ADDITIONAL SERVICES BE IMPOSED ON MUNICIPALITIES BY EITHER PROVINCIAL OR FEDERAL GOVERNMENTS WITHOUT AT THE SAME TIME CREATING A DEFINITE TAXATION SOURCE FOR ADEQUATELY FINANCING THESE SERVICES; OR IN LIEU THEREOF TO ESTABLISH AND MAINTAIN GRANTS-IN-AID SUFFICIENT TO SUPPORT SUCH SERVICES.

a. The municipalities of Canada are unanimous in insisting that services to persons as apart from property, that do not contribute to the utility, increment or safety of property, are not properly a charge on property and should not be so regarded. The municipalities contend that the costs of providing for the insane and tubercular, the indigent and the unemployed, mothers' allowances and orphans' homes, etc., should be provided by society as a whole and not made a direct charge on property, even in part."

THE CHAIRMAN: Can you give us any country where they have municipal institutions at all similar to ours,

the United States, Great Britain or others, where the taxes on property are limited to the services rendered to property.

MR. MOONEY: I cannot offer an example of any country, although there may be examples where taxation is limited to the servicing of property.

THE CHAIRMAN: I know that view has been presented to us.

MR. MOONEY: Yes. There are many examples, however, of countries where the proportion of the cost of social services is much less than the present proportion being borne by taxpayers in Canadian municipalities.

THE CHAIRMAN: Yes, I understand that. I was only referring to this suggestion. You state: "Services that do not contribute to the utility, increment or safety of property, are not properly a charge on property and should not be so regarded."

MR. MOONEY: The word "direct" should be inserted there. It would then read: ".....are not properly a direct charge on property and should not be so regarded".

ALDERMAN BIGGAR: You have that word in the same paragraph.

THE CHAIRMAN: Thank you.

MR. MOONEY: I continue with the brief:

" b. Further, the municipalities desire to point out that even where senior governments have accepted the principle of partially subsidizing the costs of social services by making grants-in-aid, such assistance has been grossly inadequate and highly uncertain. Let us examine some evidence to support the statement.

A case in point is found in the practice of one particular province in providing grants-in-aid to municipalities for the support of certain

social services. The Provincial Government conceived and established Mothers' Pensions, a Tubercular Sanatorium, Mental Hospitals, an Old Men's home, a Home for Incurables, and a Home for the Aged. Up to and including the year 1931, the province assumed the major costs of operating or providing these services by making grants-in-aid to the municipalities. The source of the provincial grants was the revenue from motor license fees, liquor profits, and a pari-mutuel tax. Commencing in 1930, substantial annual reductions in the amount of these grants became the practice. By 1936 they had been reduced by approximately 75%; notwithstanding the fact that the cost of maintenance of such services was rising at a rapid rate. The net result was on the one hand that the municipalities received less and less in the way of annual grants-in-aid, while on the other hand the cost of these increasingly expensive provincially conceived social services became largely the responsibility of the municipalities. The cities had no other recourse than to pass this on to the already overburdened owner of real property. In the case of three of the municipalities of which we have definite records, it meant an increase of from 100% to 150% in social service costs, adding 4 to 6 mills to the prevailing tax rates. The largest city in this province states that the withdrawal of grants-in-aid (including a partial withdrawal of the grant for schools), aggregated \$3,300,000 during the years 1932-1937.

Or let us turn to the federal field. Originally disavowing any responsibility for Unemployment

Relief the Federal government over a period of years has pursued a hesitating and vacillating policy. The municipalities have never known from one year to the next, and sometimes from one day to the next, to what extent the federal or provincial governments would share in the costs of providing for the unemployed. Nor have they known on what basis such relief would be forthcoming -- whether it would provide for a three-way division of costs, a public works program, the provision of medical and dental care, camps for the single unemployed, or other important matters of policy; The administration of unemployment relief, as a consequence, has proven a nightmare to local governments. Its ever-mounting cost has forced some municipalities into default, others stand on the brink of bankruptcy, others threaten to wash their hands of the whole affair. The present practice of monthly grants-in-aid to provinces on behalf of unemployment relief may be justified on the basis of the pro rata incidence of unemployment as at the date applied but it does not bear any necessary relationship to the volume of unemployment two, three, or six months later. Likewise the proportion of decrease per province is based upon equally faulty assumptions.

The present distribution of federal relief funds is on the following basis:

<u>MONTHLY GRANTS-IN-AID TO THE PROVINCES</u>				
Province.	July 1936 to March 1937	April 1937 to Nov. 1937	Decrease	Per- cent of Decrease
P.E. Island	\$ 2,844.85	\$ 2,000.00	\$ 844.85	29.7
Nova Scotia	53,550.00	30,000.00	23,550.00	44.0
New Brunswick	33,468.75	22,500.00	10,968.75	32.8

Quebec	\$669,375.00	\$ 500,000.00	\$168,375.00	25.3
Ontario	803,250.00	600,000.00	203,250.00	25.3
Manitoba	180,731.25	175,000.00	5,731.25	3.2
Saskatchewan	267,750.00	250,000.00	47,750.00	17.8
Alberta	133,875.00	130,000.00	3,875.00	2.9
British Columbia	200,812.50	150,000.00	50,812.50	25.3

Dominion

THE CHAIRMAN: What is the/basis of distribution of unemployment relief in operation at the present time?

ALDERMAN BIGGAR: The municipalities have no knowledge officially of anything done by the Dominion; they deal with their provinces. I think that is the answer to the question which you are putting to us. We know what is done but we do not know it officially. We have no official relationship.

THE CHAIRMAN: Then, so far as the municipalities are concerned, your complaint about uncertainty is a complaint in reference to the provincial governments? That uncertainty may in a measure be due to their relationship to the Dominion Government, but so far as the municipalities are concerned their complaint is that they do not know what ^{from} grant they will get/the province to assist in dealing with the unemployment relief problem?

ALDERMAN BIGGAR: It is like chasing the wood-chuck. There is always another way out. The municipalities go from one place to another and they are sent back to the other one.

THE CHAIRMAN: There is no doubt the foundation from which your powers and authorities spring is the one to which you are entitled to go as of right and be informed as to what the situation is.

MAYOR LEWIS: Your Lordship, as far as the City of

Ottawa is concerned we have a fair idea from the province of Ontario what the amount of relief we will get for a year will be. Their basis is naturally the dominion grant. It is only through the province that we can deal with the matter.

THE CHAIRMAN: What percentage of your government relief is provided by the province?

MAYOR LEWIS: I might say in answer to that, in 1937 the City of Ottawa provided approximately thirty-five per cent of the cost of relief.

THE CHAIRMAN: The province sixty five.

MAYOR LEWIS: The province and the dominion the balance.

THE CHAIRMAN: So far as you are concerned the province provided the whole sixty-five per cent?

MAYOR LEWIS: Yes; it came through that channel to us.

THE CHAIRMAN: You do not know how much, as between the dominion and the province, the dominion provided?

MAYOR LEWIS: No.

MAYOR RAYNAULT: (The Mayor spoke in French, and the following synopsis was given by Mr. St. Laurent).

Mr. Chairman, the provincial government provides two-thirds of such items as relief expenditure that are predetermined. But there are other items such as health expenditures and administration costs to which the provincial government do not contribute. The net result is that for the last year the actual costs in the city of Montreal have been borne to the extent of about 45 per cent by the city and only about 55 per cent by the provincial subsidy, comprising the federal contribution. As I understand it, federal contribution consists of a stated amount to the province.

COMMISSIONER SIROIS: (Commissioner Sirois also spoke in French, and the following synopsis was given by

Mr. St. Laurent)

Has the city of Montreal had any direct dealings with the Federal authorities in that regard?

MAYOR RAYNAULT: No; my understanding is that the federal contribution at the present time is at the rate of \$450,000 per month for the whole province.

ALDERMAN BIGGAR: My Lord, you have a table attached to the addendum which shows the direct relief statistics of the city of Montreal. By adding \$800,000 a year for administration -- which figure is not included in these statistics -- you will see that Montreal in 1936 paid 45 per cent of all relief charges and received from the provincial government 55 per cent.

THE CHAIRMAN: To what page are you referring?

ALDERMAN BIGGAR: There are four or five pages added as supplementary. You will find them most interesting. They are very hard to follow in a discussion, and I think it is the first time they have been put together in Canada. They are not guaranteed, but they are closely correct. You have one sheet, table 3, I think it is --

MR. MOONEY: That is table 6, my Lord, dealing with relief alone; The first line reads as follows: "Contribution by dominion and provincial governments, \$9,343,157." On top of that I believe Montreal paid \$800,000 for administration, which is not charged to the relief account; it was paid out of capital, the same as the others. It would take a very long time to go into these figures in any discussion; but I believe you will find them very interesting, if the board has the leisure to go through them.

COMMISSIONER DAFOE: The theory is, is it not, that they would be split three ways with the cost of administration added to the municipality.

MR. MOONEY: That was the theory, Mr. Commissioner, but it has varied from a three way split to fifty, twenty-five, and twenty-five. At the present time, as the figures on this table indicate, for the last year it followed a different pattern. It does not follow any particular agreed upon ratio.

COMMISSIONER DAFOR: You see periodically the announcement that the dominion intends to cut the relief. What does that indicate to the municipalities? Does that indicate that the municipalities take a larger share, or does it in turn cut the relief?

MAYOR LEWIS: They take a larger share.

AIDEMIAN BIGGAR: It would be a dangerous admission to make. It would indicate that because you received less money you admit that you have been spending too much.

COMMISSIONER DAFOR: In fact, it means that others have to take a larger share.

(Page 3335 follows)

THE CHAIRMAN: I was under the impression that to some extent the dominion had a resolution by which they wished to reduce the number of unemployed.

MR. MOONEY: I think that is so, Mr. Chairman.

THE CHAIRMAN: Then that would operate for the benefit of the municipality, when the province comes to distribute it, if they distributed on the same basis, then the municipality which had fewer unemployed would get less money.

MR. MOONEY: The point we make is that that decision is made at a given time, but the application of that decision may be all out of line a month later, as there may have been an increase in unemployment. It is not adjustable to a changing situation which is highly uncertain. We did not anticipate we would be permitted to get into such personal conversation with the Commission, and I think that the subject can be developed better in this manner. I do not think that this has been given enough prominence; I believe it is one of the strongest elements creating sectionalism in the country.

THE CHAIRMAN: How do you mean?

MR. MOONEY: These people are being treated differently in different places. In the Island of Montreal they work for their relief, while in the city of Montreal they do not. Naturally they would prefer to be in the city and the city, having received an influx from the country, has created itself a walled town. You cannot get relief there unless you have been there four years. That is not strange; it exists in other parts of the country. Walled areas are being created inside the country from one province to another and within the provinces because it is human nature for the man who is down on his luck to go where he get the best treatment with the

best possible chance of getting a job and he is not allowed to. If some national basis can be established with local administration and with maybe local participation in the cost, there would be a national standard for the handling of relief according to the cost of living and a great deal of the trouble would disappear. Mr. Purvis has recommended a mobile force of labour, but the handling of unemployment relief immobilizes labour and creates sectionalism in the process.

THE CHAIRMAN: You have given a great deal of study to this matter; what is your suggestion or view as to the best way in which it can be handled?

MR. BIGGAR: Certainly if you have unemployment insurance you will have mobility of labour. What is the difference between unemployment relief, direct relief and unemployment insurance, in so far as the recipient is concerned? It is something received from the state when he is down on his luck. Why should he be immobilized under direct relief as he is?

THE CHAIRMAN: What do you mean by immobilized?

MR. BIGGAR: By local regulation he cannot move from Verdun to the Island of Montreal, although it may be across the street. If he moves he loses relief.

THE CHAIRMAN: You say there should be general government regulations applicable to the whole country.

MR. BIGGAR: Some of the municipalities have discussed this over a period of four or five years either privately, in council or in conventions. Invariably they come to the fundamental necessity of the national handling of the relief question. We are not trying to run away from our responsibilities, either financial or personal, but it cannot be handled on the basis on which/ it has been. If the admission is made that national unemployment

insurance will not immobilize labour, why should unemployment relief? If you admit, as I premise, that so far as responsibility is concerned it is the same thing.

THE CHAIRMAN: You suggest while there should be these national regulations establishing a basis having regard to conditions in the different parts of the country, there might be local participation in the cost and administration.

MR. BIGGAR: We find all through Canada that some municipalities, while they might say they do not want to pay the money, wish to maintain a certain dignity by trying to do so.

COMMISSIONER DAFOE: If a person moves from the Island of Montreal to the city, what happens to him?

MR. BIGGAR: They go on charity and they are supported by local charitable associations, out of their funds. The local charitable associations in the city of Montreal to-day are bitterly criticizing the Mayor and Council for not putting them on relief. We put them on relief in 1931, 1932 and 1933 and got from 15,000 to 20,000 families from the country with their tickets paid by the local municipality.

THE CHAIRMAN: Excursion rates.

COMMISSIONER DAFOE: You have no law in Quebec by which you can charge for the year that they are waiting.

MR. BIGGAR: We have tried to get one for five years, but of course the members of the press are here and I do not want to give an explanation publicly.

COMMISSIONER DAFOE: There was marked evidence in the west that it had accentuated the feeling between the city and country.

MR. BIGGAR: Definitely, sir.

COMMISSIONER DAFOE: The bill for the year they were waiting to qualify in the city was sent back to the municipality. They saw families who were supported for a pittance in the country living on a higher standard in the city.

MR. BIGGAR: I think it may be said it is one of the most dividing forces in the country, one of the serious and least suspected. You have to go and live with the people to see what elements of division are being made in that part of the population.

COMMISSIONER MacKAY: Alderman Biggar, it is sometimes said if the municipalities were relieved of the burden of relief, and the dominion government took over the burden the result would be that the total cost of relief would be very much greater for two reasons: First, because the municipality would have no incentive to keep down relief lists, and secondly, because the dominion would have to set up a new staff for dominion relief. I would like to have your opinion.

MR. BIGGAR: I can answer that by saying there should be absolutely no necessity for setting up new staffs. The staffs exist, it is only a matter of coordinating them. When we found no desire among the municipalities for breaking up their staffs, to let the dominion do it. It is a matter of cooperation. The other point is the great point of the argument; you said that there was no incentive for the municipalities to keep down the relief lists.

COMMISSIONER MacKAY: I did not express it as my opinion; the opinion is expressed in some quarters.

MR. BIGGAR: There has been known to be an incentive to increase the cost of relief.

THE CHAIRMAN: Why?

MR. BIGGAR: We are closest to the people.

COMMISSIONER SIROIS: You agree to that, Mr. Mayor?

MAYOR RAYNAULT: Yes.

COMMISSIONER SIROIS: As Mayor or as a member of the Assembly?

MAYOR RAYNAULT: As Mayor. When people go to an Alderman's house, when they know him, and when they disclose their affairs to him, they believe that he can do something for them, and there is no use his saying that the law does not allow it. When they show him what their circumstances are and give him reasons why they should be supported by the local government, it makes the situation very hard for the Alderman and the Mayor.

MAYOR LEWIS: I agree that the border line cases are the most serious problems. In my city we have numbers of people who do not qualify under our regulations; nevertheless they must be given relief if they are entitled to it. I would suggest that your Commission might do well to move around quietly, during the course of your investigation, in the different cities, to see the condition under which some of these people live. We are closest to the people as the elected representatives. We are the elected bodies that furnish the different services, and unless something is done and done fairly soon the situation will be much worse than it is. We admire the government for trying to put through the unemployment insurance. To-day we are practically dealing with unemployment insurance. Workers come back after six or seven months of work and apply for relief, without making any contribution to unemployment insurance, although there

really exists a form of unemployment insurance.

MR. BIGGAR: We are the people responsible for the static on the radio and the delay in the postal service.

I do not think it is an exaggeration to say that.

Whether you are Alderman or Mayor, you are the man on whom the average citizen calls with respect to federal, provincial or municipal matters, nomatter where any trouble may originate. In the public mind we are the representatives of the people; the others are statesmen.

COMMISSIONER DAFOE: That is a case where distance lends enchantment to the view.

COMMISSIONER ANGUS: If the federal government were to take over relief costs, do you think the municipalities would be under pressure to pay supplementary relief?

MR. BIGGAR: In Montreal we are paying supplementary relief which costs \$1 per capita per month. Our per capital in 1937 was 8.21 and it was up a dollar, maybe a little more than a dollar, if the analysis were broken down; because the city council in April, 1937, gave way to the pressure to which reference has been made and voted extras to which the provincial government refused to contribute. That is why Montreal paid 45 per cent of the total bill of \$16,900,000 in 1936. Included in that you have \$1,400,000 of this extra allocation, plus \$800,000 of administration, the remaining \$14,000,000 being divided two for one.

THE CHAIRMAN: The question was raised with us in some of our hearings about the relative efficiency of local supervision by the municipal council or those under the charge of the municipal council, and the efficiency that could be expected if the matter were administered by

federal officials, assuming the federal government took over the administration. What do you think of that?

MR. BIGGAR: We have had certain experiences in Montreal, and there have been complaints within a short time after their installation that they were inefficient.

There has been an agitation to remove the relief administration each time there has been one, and it has started in the same corner of the council room shortly after a new group has got into office. I do not think it would be any different, no matter how you handled it. I cannot see that the local administration will be any more inefficient under remote control than it is under close supervision. His Worship has had experience in this regard. We changed the relief commission eleven months ago and the new commission was attacked from the same sources shortly after it took office. So long as pressure exists to put cases on relief which are not entitled to go on relief, the administration will be condemned.

THE CHAIRMAN: Are you able to express any opinion as to how far those not entitled to relief do in fact succeed in getting on ?

MR. BIGGAR: I do not think that question can be answered. It has been said that the percentage has gone as high as 30, but I think that is an exaggeration. There again you have unemployable cases who were once employable but are now unemployable as a result of unemployment. Are they relief cases? They have. They may have been able to take a job five years ago but they are so degenerated as to be unemployable to-day.

THE CHAIRMAN: That same view was presented to us in the west, although a contrary view was put forward by the head of one municipality, who said that they had found

from practical experience that when a man was given a job and got back to work he soon regained his old form and was able to carry on. That municipal head distinguished between real constructive work and the sort of employment a man might be engaged in if he were simply moving earth from one side of the street to the other, which would not rehabilitate him. He emphasized real constructive work in which a man might take an interest.

MR. BIGGAR: You ask a question which is still involved in discussion. We had in the Island of Montreal recently work in connection with relief schemes in Verdun and Lachine, which are two of our largest suburbs. We found that relief in the city of Verdun dropped 50 per cent in three months after relief recipients were asked to work for their relief or to go without it. Where that 50 per cent went to I cannot tell you.

These people were not all chisellers, to use the common phrase. They got small jobs elsewhere, or they may have gone to live with their parents who could support them. Generally speaking 50 per cent of the relief list very soon disappeared, however.

THE CHAIRMAN: When they were required to work?

MR. BIGGAR: Yes, they were required to work on types of work such as you mention here, cleaning parks and vacant lots, cleaning streets, shovelling snow and so on; and while there was agitation at the outset, the men who went to work on those undertakings are happy to-day that they did. They are glad that in the past five or six months they have done so because they appreciate what it has meant. That is the cheapest form of rehabilitation.

MR. MOONEY: I will now continue the brief:

" That the Federal Government Exempt
Municipalities from the Imposition of Sales,
Excise, and Stamp Taxes.

a. The municipalities contend that the principle of one government imposing a tax on another government, but for which no specific compensating service is rendered in return, is illogical and unjust. In practise it is the equivalent of robbing Peter to pay Paul, for the municipalities have no other recourse than to indirectly impose the costs of such taxation on their already limited and heavily burdened local tax rolls. If it is argued that the amount of such taxation on the transactions of a municipality's business is, in any case, of negligible proportions, such argument does not eliminate the principle involved. And it is the principle of such taxation to which the municipalities take exception. Further, the sums involved amount to larger proportions than is ordinarily thought.

b. The municipalities ask if it is a reasonable thing to exempt the provinces from the federal sales and excise tax, by what method of logic can it be argued that municipalities be asked to pay them?

c. Municipalities also are unanimous in demanding that they be exempted from the provincial taxes on gasoline. This is a matter outside the scope of the Commission's enquiry, but we include it to indicate the dissatisfaction of municipalities in all provinces of the dominion with the principle

"of either the federal or provincial governments imposing on the municipalities such taxation. (The exemption of municipalities from the imposition of federal excise and other taxes has already been conceded in the United States. By the Taxes Revenue Act of the U.S., 1935, the Federal Manufacturers Excise Tax was lifted from all purchases made for the exclusive use of a city, save when such purchases are made by a contractor doing city work.)"

THE CHAIRMAN: Have you considered at all or estimated what the reduction in federal revenue would be, according to this recommendation.

MR. BIGGAR: We spend \$40,000 a year putting excise stamps on the relief cheques, and that is just one item.

MR. MOONEY: I continue:

" That the Federal Government make open to Inspection Federal Income Tax Returns to any Official, Body or Commission, Lawfully Charged with the Administration of any Provincial or Municipal Statute, if the Inspection is for the Purpose of Obtaining Information to be Furnished to Provincial or Local Taxing Authorities.

Local taxes are imposed mainly on real estate, but in several of the provinces municipal income tax or taxation on personal property is permitted. In these cities attempts of city assessors to get a true reckoning of taxable personal property are notoriously ineffective, due to the very nature of personal property and the lack of legal machinery. As a result, owners of intangible securities are frequently able to evade local personal taxation.

" It is clearly a matter of good public policy to permit local tax officials access to the federal income tax returns, in order that there may be a fair and impartial assessment of city taxes. By providing this facility the federal government would help local units of government to help themselves, and thereby pave the way for a material increase in local revenues and a consequent larger assumption of responsibility."

THE CHAIRMAN: It may be that your Association has not considered the point, but it has been raised before the Commission on two or three occasions, the question of one authority for the collection of income taxes.

MR. BIGGAR: That is the next recommendation, a little disguised, perhaps, but it is there.

MR. MOONEY: To continue:

" That some Plan be formulated whereby the existing overlapping and duplication of services as between the federal, the provincial and local governments, may be reduced to a minimum.

With triple jurisdiction existing, affecting matters of mutual concern to all three levels of government, it is probably inevitable that some measure of overlapping and duplication of services will exist. But it would seem reasonable to suppose that through cooperation and agreement much of this duplication could be avoided, without sacrificing either efficiency or autonomy.

In the matter of tax collection, public health, roads, police, statistics, tourism, it would

"appear that some measure of coordination might reasonably be effected."

THE CHAIRMAN: What do you mean -- I think I know what you mean -- by tourism? I think it is a new word.

MR. BIGGAR: I think it is an Anglicized French word, and as we have many English words in the French language, I think it is a fair exchange.

THE CHAIRMAN: What do you mean by coordinating services in connection with tourists?

MR. MOONEY: General publicity; every little city and town as well as the provinces and the federal government are operating separate and distinct tourist agencies. They are spending a great deal of money which might be saved by coordination. The same services could be rendered if there was centralization of such propaganda.

THE CHAIRMAN: Do you think that the little towns to which you refer would be satisfied to have one central agency or would they feel that their local interests and beauties had been overlooked in the general picture?

MR. MOONEY: Yes, I suppose some of them would.

THE CHAIRMAN: However, we appreciate the point. The coordination of the collection of taxes, especially income taxes, is certainly a point which has been stressed in a number of briefs so far.

MR. MOONEY: To continue with the brief:

" That the Federal government extend the scope of technical education by supplementing its grants for this purpose to the provinces.

The municipalities recognize that under the B.N.A. Act public education is a matter for provincial jurisdiction, and that, as such, any existing dissatisfaction which municipalities may have with the processes of local education,

"in so far as such arrangements affect municipal administration, is a matter as between the municipalities and their respective provinces, and does not properly come within the scope of the Commission's inquiry. To this extent the municipalities of Canada refrain from incorporating in this brief reference or recommendation pertaining to internal problems related to the established educational system.

But federal participation is already established in one specialized branch of education which the municipalities of Canada would like to see extended. In the providing of financial aid for technical education, the provinces have accepted and welcomed the cooperation of the federal government. And it is in this phase of education that the municipalities would urge the federal government to a more aggressive policy looking toward a more extensive use of such facilities.

It is the viewpoint of municipal administrators that more liberal federal subsidies to the provinces under the Dominion Technical Education Act would have the following desirable effects:

1. It would encourage a higher enrollment in technical and vocational schools, and to this extent relieve municipalities of the present burdensome costs for other secondary schools which are a charge against real property.
2. Too much emphasis has been placed in our Canadian schools on classical education and too little on training for the technical trades.

"Canada needs skilled technicians as much, if not more, than she needs recruits for the professions.

3. A wider development of technical school facilities would tie in with the present efforts to provide vocational training for unemployed youth."

THE CHAIRMAN: These recommendations coupled with some of the others would involve additional expenditure by the federal government.

MR. MOONEY: Yes.

THE CHAIRMAN: We are being urged in some briefs that the federal expenditures should be substantially decreased. Have you given any consideration to the question

whether there are any respects in which the federal expenditures might be decreased or whether there are new sources of revenue to which the federal government might resort? Should the public debt be increased by reason of these increased expenditures? These appear to be the only alternatives?

MR. BIGGAR: We are fellow sufferers in that respect and it is hardly ~~within our province~~ ^{for} to criticize our fellow sufferers. I think there may be substantial improvements made in the cost of government in some of the recommendations which we make in regard to duplication, but we do not want to take up that argument. We do not feel it is within our province to take up that argument as we are a target the same as the federal and provincial governments and we must remain targets.

MR. MOONEY: I continue:

"That the Federal Government enact a National low-rent housing act.

(a) It has been demonstrated that a substantial

"proportion of the urban population lives in sub-standard houses and in neighbourhoods that are injurious to health and morals, conducive to delinquency and destructive of family life.

b. It is also true that private enterprise and local authorities have found no way thus far to provide decent housing for those with low incomes. Competent spokesmen for private enterprises admit that the provision of housing for this social group is beyond their ability.

Local authorities are unable to function without financial and other help from the senior governments.

c. The provisions of the Dominion Housing Act (1935) are unsuited and inadequate to facilitate a housing program for the low-wage income group.

d. Therefore, in order that a large proportion of our urban families should not continue to live in unfit dwellings, and to supply the urgent need for housing facilities, conforming to an acceptable minimum standard for the low income groups and thus to attack the serious problems of health, welfare and order, which are directly related to inadequate housing, the municipalities of Canada recommend that:

1. A national policy should be adopted for rehousing the low-income groups at acceptable minimum standards, as a cooperative undertaking by federal, provincial, and local governments, and private enterprise. This policy

"should be designed to stimulate local initiative, recognize local circumstances, and vest the control, save in exceptional cases, in the local authorities.

2. The federal and provincial governments should extend, in accordance with local needs, financial assistance conditioned on the existence of a comprehensive city plan and a housing program meeting satisfactory standards.

3. Financial aid should be either in the form of capital grants, long term, low interest loans, or annual rent subsidies."

THE CHAIRMAN: We had a submission made to us last week by the real estate board to the effect that if the burden on real estate was reduced, as the board contended it should be, there would be no necessity for governmental assistance in housing; private enterprise would enter and provide the necessary housing. Have you any comment to make upon that?

MR. MOONEY: That if lower interest money was made available --?

THE CHAIRMAN: The argument presented to us was that a very high municipal tax rate on real estate was really the deterrent to building new houses because a man could not, having regard to the tax rate, build new houses, rent them and earn a return on his investments. He could not get a sufficient return to pay the taxes. The solution of the problem was not governmental intervention in housing but the reduction of the burden on real estate and the removal of certain social services which are now borne by municipal taxation.

MR. BIGGAR: I think you will have to take some figures to get the answer to that question. I am prepared to accept as proven to my satisfaction that in order to provide low renting houses, under the definition accepted in Montreal, it is necessary to have three per cent money for forty years with a 50 per cent commutation of existing municipal taxes. I think you could pay off the debt in that time with the amortization you will have left over after proper maintenance. Now, the reduction of municipal taxation is essential to stimulate real estate construction, but cannot meet the figures I have just given you no matter how low it comes. It is an element, a determining element in the building of houses on the speculative plan for the middle class, but it can never in itself allow private initiative to meet the demand for low-cost houses, and private initiative generally accepts that in European countries. It is coming to accept that view in Canada.

THE CHAIRMAN: Is there, speaking generally, for the Association or for the city which you particularly represent, in your opinion a very great need for low-priced houses in the various cities in Canada?

MR. BIGGAR: We have just completed a government survey of nearly 6,000 houses, spending 45 minutes in each case and taking into consideration the physical and social condition as well as the environment. The report will be issued to-morrow. I think Mr. Mooney who was one of the directors will bear me out by saying that 40 to 50 per cent of that population should not be living under those conditions. Naturally, we took the worst part of the city, but we did not pick and choose. We took each building in the block and visited every

family in the block, good, bad or indifferent.

THE CHAIRMAN: Has your Association any data as to the situation in other cities?

MR. BIGGAR: We know there is a movement in Winnipeg which is fully documented, and a movement in Toronto which is fully documented. It is spoken of in Vancouver but it has not got down to documentation. There is a housing scheme in progress in Halifax. There may be others, but those are the ones I know of.

MAYOR LEWIS: I might say in the city of Ottawa there is great need for inspection. Investigation of those living on relief will show it; multiple families living in one house and using one lavatory. There is a need for low-priced houses.

COMMISSIONER DANCE: I suppose the condition is accentuated by unemployment, but I judge you think it is a permanent fact that a large percentage of our population cannot earn enough income to live in habitable houses.

MR. BIGGAR: I admit that. An analysis which I am satisfied to accept would indicate that in Montreal you cannot get, from a substantial percentage of the population, more than \$12 to \$14 per month rent. Health Board standards say that they must have accommodation which cannot be built for less than \$16 to \$18 a month. They are going into housing now which is becoming obsolete and these houses are not maintained. Housing is going down and down and the population with it.

MAYOR LEWIS: I might say the real estate people are more concerned about a uniform tax rate. For instance, in the last four or five years the rate in Ottawa has gone up four or five mills, primarily from direct relief. If that rate could be established and

the future assured as to municipal taxation, you would put the builder on the same basis as the man investing in bonds.

MR. MOONEY: I do not know just how much elaboration you desire on what Alderman Biggar has said but I would be happy to place before the Commission a complete copy of the Montreal situation, and supplement it with a survey that has taken place in other Canadian cities. With the Wagner Act in the United States States having passed some months ago, Canada is now the only western nation that so far has failed to provide facilities for housing the low wage group in the community. I do not think there can be any doubt that there exists in every city of the dominion both large and small a considerable portion of obsolescence and insalubrious housing. We may not have slums in the European sense but they are slums in the Canadian sense, and a great deal of this housing can only be replaced in so far as we make available something of the sort that Alderman Biggar has suggested. Apart from that, bad, most completely dilapidated and obsolescent kind of housing, there is a great proportion of the low wage group in the community occupying houses which really are verging on unfitness for human habitation.

THE CHAIRMAN: Of course, from our point of view we are not here to determine what the policy of the government should be in regard to housing, but it is our duty to see whether the responsibility for a matter such as housing should be federal, provincial or municipal. In your recommendation you suggest a comprehensive federal policy for the development of low-rent housing.

MR. MOONEY: As Alderman Biggar has intimated, and as I believe, the whole crux of the housing problem and its solution lies in the extent to which we can get cheap money. The municipalities are not in position to obtain cheap money to the extent to which the provinces can obtain it at the rates Alderman Biggar has suggested are necessary. It may be a provincial venture, but it is the contention of the municipalities of Canada that the dominion government itself could provide the cheapest money for a housing venture of the proportions for which we believe the situation calls.

THE CHAIRMAN: I notice that in item 2 of your recommendation you suggest that it is a burden in which all three, the province, dominion and municipality might share.

MR. MOONEY: Continuing the brief:

"That the Federal Government adopt a comprehensive policy for the development of the tourist industry.

It is unnecessary to affirm the importance of the tourist industry. As yet, however, hardly more than feeble efforts have been made to exploit its potentialities. The amazing thing is that it has grown to its present proportions with a modicum of effort. A vigorous national tourist policy is in the interests of the nation. Propaganda is not enough. For while it is true that every section of the dominion is a veritable tourists' paradise, facilities available for the tourist are woefully antediluvian.

A modern system of good roads is fundamental. The trans-Canada highway should be completed at as early a date as is possible. The lack of a

"continuous cross country highway is a detriment not only in so far as American tourists are concerned, but equally to Canadians. The condition presently prevailing which necessitates Canadian tourists making use of American highways in order to get to different points in the dominion is wholly unsatisfactory. It results in the diversion of vast sums of money outside the country, and prevents probably an even greater expenditure by American tourists within the dominion. In some parts of the dominion the completed portions of the trans-Canada highway stand literally in the clouds, with no access or outlet from either end. In other sections existing provincial highways are, too frequently, a bewildering maze of second class farm roads.

Canada needs a network of good roads feeding a fast-transit all-Canada highway. This is a matter calling for the cooperation of the provinces with the federal government.

But good roads are not enough. The travelling public, holiday-bent, is entitled to expect acceptable accommodation en route. Existing tourist hostels are largely unregulated; too many of them are of an inferior type; too many of them lack the facilities which must be provided to satisfy a discriminating tourist trade.

A national tourist policy, embracing these and other related matters, would pay rich dividends to all sections of the dominion."

" That the Federal Government appoint a Commission to study urban trends throughout the dominion, similar to the urbanism committee associated with the National Resources Committee of the United States. And that such Commission be provided with the necessary personnel, financing, etc., in order to make its work as thorough and embracing as possible.

A copy of the report of the National Resources Committee of the United States -- "Our Cities, Their Role in the National Economy" -- is herewith placed on file with the Commission.

In recommending that the federal government institute a similar enquiry on the place of Canadian cities in the life of the nation, the municipalities do so in the belief that a study of this nature would help to clarify many problems now confronting local governments. The municipalities recognize that the solution of these difficulties is largely a matter as between themselves and their respective provincial governments. On the other hand they desire to point out that the factors which have given rise to many of their problems have not arisen from local conditions but are related to fundamental changes in the broad national economy.

As such they call for a wide and comprehensive study from a national point of view with the following objectives in mind.

1. Improvements of the standards of urban life and raising of the level of living conditions.

At the same time not forgetting that the improvement of living conditions in urban areas must be accompanied by a similar improvement among the rural population of the dominion.

2. Elimination of urban blight and erosion;

"and, above all, abolition of our Canadian slums.

3. Appraisal of existing facilities for urban reporting and research; and a study of how this important branch of government can best be improved. A more precise knowledge about conditions of the cities in which over half our population now lives is seriously lacking at a time when it is needed most.

4. Better planning of the location of urban industry by subjecting to intimate study prevailing land use, industrial organizations, fiscal policy, transportation policy, power policy. The use of the planning technique by the federal, provincial, regional and civic governments, along with other public and private agencies, and the integration of these plans into a unified scheme would help immeasurably in the establishment of a sounder local industrial pattern, a better national economic balance, and would have the desirable effect of emphasizing rational design in the pattern of society instead of the confusion which presently exists.

5. National urban preparedness to meet any new threat of insecurity and unemployment. A policy of urban national preparedness would place city and nation in better position to deal swiftly with industrial emergencies, and prevent the serious delays experienced during the first years of the depression around such problems as public works projects, tardy relief measures, and irritating legal and financial conflicts about systems of taxation and finance. The cost of

"delays in such crises is not adequately measured by dollars or expenditure alone, but is felt in the crippled consuming power of the city, the consequent reaction on the whole nation, and in the distress of thousands of men, women and children in the city and on the farm as well.

A reserve of public credit and a plan of public works or a well thought out policy of unemployment relief, ready for use in the urban industrial area, if, as and when industrial recession breaks upon the nation, will go a long way to steady the public mind and ease the fear which such an occasion will undoubtedly create.

6. Enquiry and diagnosis of the factors which go to create, on the one hand, well-adjusted and efficiently administered urban communities, and on the other hand ill-adjusted and poorly administered cities. Such inquiry would consider the underlying factors contributing to the failure of the urban community to reproduce itself; studies of municipal land acquisition procedure; effect of population movements and of various types of public improvements on urban land values and land prices; and related problems. It would probe the effectiveness of different modes of municipal administration, the comparative merit of the City Manager plan, the City Council Executive, Board of Control, etc. The problem of government in metropolitan regions should likewise be subjected to study and analysis.

7. The modernization of urban government.

" While there have been numerous improvements in municipal administration during the past few decades a number of major defects still handicap our system of urban government. If the urban community is to face effectively its growing governmental responsibilities, its power and its structures must be enlarged and modernized to meet its duties and practical functions in the modern world. The municipalities of Canada, particularly the larger cities, are unanimous in demanding that the prevailing limitations and responsibilities be re-examined. To this end early consideration should be given by the provincial governments to the following :--

- a. An extension of the powers of urban communities not only that they might exercise a wider range of home rule over their internal affairs but that they might exercise a more direct and immediate responsibility over the emerging problems of urban life.
- b. A more flexible but more uniform classification of cities, and an appropriate distinction between the wider powers essential to urban or metropolitan communities and the less extensive powers required by the remaining local authorities of the provinces.
- c. Facilitate the elimination in metropolitan areas of atrophied authorities like the township, and foster consolidation and cooperation among local urban governments."

Mr. Chairman, we might read the next recommendation

because I think we arrive at an alternative which is a synthesis:

" That consideration be given by the Federal Government to the establishment of a permanent Commission to be charged with the duty of studying and recommending to the Dominion and Provincial governments such measures as they deem will in any way tend to improve the relations as between the dominion, the provinces and the municipalities. The Commission to be along the lines of the Board of Railway Commissioners and available to any public authority.

a. Many of the governmental functions essential to urban life cannot be carried on effectively without the participation of government on the provincial and federal levels. The experience of the past few years has accentuated and brought into bold relief the dependence of the city on the federal government. These relationships have raised problems which indicate the urgent need of improving and facilitating collaboration between cities and the federal government, either directly or through the province as an intermediary. Such matters as unemployment relief, airport facilities, harbours, housing, federal public works, and federal-crown lands, are of vital concern to local government, within whose domain they largely operate. Existing facilities for consultation or participation with the federal government in these matters is not

"wholly satisfactory.

b. Indeed, there is a disposition among some municipal leaders to contend that in those matters of direct concern to municipalities and the federal government the municipalities should be accorded full constitutional rights to address themselves direct to the federal government without having to seek either the permission or the participation of their provincial governments. They argue that their economic and national importance is such as to entitle them to some prerogative rights in their relations with Ottawa. They point out that there are individual cities in some of the provinces whose separate fiscal importance approximates or overshadows the total revenues of their respective provincial governments and within whose boundaries live from 20 to 35 per cent of the total population of the province.

Certainly it would appear evident that there is need for adjustment of the traditional scope of urban powers. The modern city is no longer the large sized village of yesteryear. And yet, in spite of its vital and growing significance as the principal instrument of public service and community control, the Canadian city is still the legal creature of higher authorities, subject to their fiat for the most minor of powers and procedures, and too frequently the helpless victim of sabotage by warring political groups.

"provincial legislatures has resulted in the defeat of progressive urban legislative programs and has prevented a due consideration of municipal problems. Professional lobbyists anxious to defeat a bill unfavourable to the interests they represent, follow the simple technique of lining up the rural members in opposition, although the bill has as its objective a matter solely confined to urban areas.

Many federal bureaus or offices are primarily or partially concerned with urban affairs, although they do not recognize the city as such. Among such bureaus are the Department of Labour, the Bureau of Statistics, Department of Trade and Commerce, Dominion Fire Commissioner, Dominion Housing Administration, Department of Health, National Harbours Board, National Research Council. Some, if not all, of these federal departments have direct administrative relations with municipal officials with sufficient regularity to be considered important parts of the agency's function. In their most fundamental aspects, however, the relations between cities and the federal government still remain in an amorphous and anachronistic state.

Some method for the improving and facilitation of collaboration between the federal government and the cities would on this account alone seem most desirable."

(At one o'clock the Commission took recess.)

AFTERNOON SESSION

The Commission resumed at 2.30 p.m.

THE CHAIRMAN: All right, Mr. Mooney.

MR. MOONEY: Mr. Chairman, at the conclusion of this morning's session, we were discussing Recommendations XII and XIII, which I shall not re-read. We had reached the alternative recommendation which is incorporated on page 27 of the Brief. It is as follows:

"An alternative proposal to the suggestions contained in Recommendations XII and XIII would be for the Federal Government to regularly convene a biennial Conference of the Provincial Premiers and members of their Cabinets; to which would also be invited, by the provinces, Mayors of their representative municipalities. And that a permanent secretariat be appointed for such Biennial Federal-Provincial-Municipal Conferences, a section of which would devote itself to municipal affairs.

Such an arrangement might very well provide the facilities for implementing Recommendation XII, and overcome the dissatisfactions referred to in Recommendation XIII, and yet fully conserve the present Constitutional relationships among the three levels of government."

THE CHAIRMAN: Apart from discussing municipal affairs such as you have suggested, the functions of this Conference would not primarily concern the municipalities?

MR. MOONEY: Not primarily, but it would provide opportunity for the discussion of municipal affairs. That is, these Biennial Conferences, convened by federal authority, would provide ample opportunity for discussion of urban problems with representative mayors

and the provincial cabinets, along with the federal cabinet.

THE CHAIRMAN: Then am I correct in my understanding of your recommendation that this Biennial Conference would be for the express purpose of discussing municipal affairs, or national affairs as they affect the municipalities?

MR. MOONEY: The latter--national affairs as they affect the municipalities.

THE CHAIRMAN: You are not suggesting that the municipalities should be taken in and share in the functions of the governments, Dominion and provincial, except as they relate to the municipalities?

MR. MOONEY: Yes. We are trying to find a way, Mr. Chairman, whereby the existing dissatisfaction as between the three levels of government might be reconciled within the existing constitutional fabric.

THE CHAIRMAN: You say "existing dissatisfaction," and it was stressed this morning by Alderman Biggar that this dissatisfaction arose in no small measure out of the difficulties encountered in connection with the administration of unemployment relief, grants and administration, as I understood Alderman Biggar this morning. In what other respects is there dissatisfaction as between the municipalities and either provincial governments or the federal government?

MR. MOONEY: It is focused largely in the field which you have suggested. It has grown out of the depression years, during which time the federal authority came to be the main leaning-post of the municipalities; and the intermediary link was frequently of some difficulty to some of the municipalities. On the other hand, while it expressed itself dramatically

during the last few years, there is evidence that in the near future the relationships between the metropolitan areas, particularly in the larger cities, and the federal authority, in such matters as housing, airport facilities and other things such as we have incorporated in the Brief itself, could best be adjusted and best be arbitrated and dealt with if the municipalities were closer to the federal authority, inasmuch as the federal authority is the main link in the whole chain.

THE CHAIRMAN: I suppose there is no reason why, in law or under the provisions of the Constitution, any corporations, governmental or otherwise, should not enter into conference with the central federal authority on matters that affect both the federal and the local organization.

MR. MOONEY: No, and in practice they do.

THE CHAIRMAN: This relief raises peculiar questions because of the contributions. But take the airport question, for instance, there is no difficulty in the Dominion and the municipalities conferring over that, is there? There is no problem arising there, is there? I do not know why the Dominion should not approach a municipality in respect of an airport the same as it would approach a manufacturing concern that had an area which the Dominion wanted to purchase or deal with. I am only throwing this out to get your ideas. Where do you see any difficulty on that aspect of the case in the present situation?

ALDERMAN BIGGAR: I think, my Lord, we have to go on to a little broader basis and take it for granted that there is a certain quality of experience and brains on all three levels, and that that valuable asset of the

country is being utilized to a very small degree because in many cases two levels, or all three, quarrel among themselves uselessly--and maybe for a purpose. If there were some means by which they could be brought together, you would then automatically have a much greater degree of cooperation. It has always been one of the valuable methods of progress in British countries, that you can keep the form and change the substance; and it might be that by creating a method, this or some other, of getting together on a basis of reasonable equality, not for the purpose of determining policy, you could in that way get the views of the municipalities and provincial governments. These strains and stresses may not come back again; but for all we know, we may have another one on an entirely different question. Take the question of education, for example; it may become a serious national problem before we are through. There is the question of language. Why not provide an outlet, a ventilator, some place where they can go and take some of the strains off before they become too serious? That is what the municipalities are looking for.

THE CHAIRMAN: Thank you.

MAYOR LEWIS (Ottawa): May I refer to the presentation that was made to the Dominion government last year on behalf of the Mayors and Municipalities? On that occasion Mr. Lapointe was acting for the government, along with other members of the cabinet, and he received us very nicely, and after listening to us at a round-table conference he expressed himself to this effect: "It is too bad we have only the senior government and the junior government represented here, and not the intermediate government." That is what we are

fighting for now, Mr. Chairman.

Last week it was my privilege to appear before the Ontario government with the Ontario mayors, and following along the lines we are taking now, Mr. Hepburn is trying to arrange with the Dominion government for a conference between the province, the municipalities of Ontario, and the Dominion government along certain lines.

THE CHAIRMAN: Thank you.

MR. MOONEY: I will now turn to page 28 and read Recommendation XIV:

XIV. THAT THE FEDERAL GOVERNMENT, IN COOPERATION WITH THE PROVINCIAL GOVERNMENTS, INTRODUCE A NATIONAL PLAN FOR THE STABILIZATION OF EMPLOYMENT.

"This nation will continue to be torn by sectional and factional strife until such time as our industrial and economic structure is subjected to a more rational design than that which presently exists.

The time has arrived to so organize industrial activity, that it will be enabled to make a more efficient use of the available labour supply. Likewise, the disastrous effects of seasonal and cyclical fluctuations can be mitigated by cooperative planning between industry, labour and governments. The payroll of the nation can be more evenly distributed. A more advantageous technique for the location of industry from the standpoint of raw materials and markets, can be achieved. A healthier balance between the cost of community services to industry, and the income derived by the community from industry is possible. A greater

"social security for all the people can be assured.

All these, and other desirable objectives, can be achieved within the existing economic system. But to do so, initiative and leadership must be forthcoming from the Federal authority. The provinces, in turn, must be prepared to offer generous cooperation. Municipal administrations will have their part to play. Public spending and private enterprise must be fitted into a systematic scheme. In any attempt to rationalize the economic processes both are essential elements. Taxation must be adjustable to the peculiar conditions of a given economic period.

Without presuming to lay down a detailed plan for the stabilization of employment, the following factors would seem to be involved:

- a. Lacking an appreciation of the need for a selective program of industrial development, communities have attracted and subsidized enterprises without adequate attention to their effects upon the total industrial structure. Too frequently, the test has been not the qualitative test of the effect upon the various parts of the community's industrial mechanism, but the quantitative test of increasing the total amount of industrial activity at the time the new enterprise is established. The ultimate cost in terms of the probable dislocation of industry somewhere else and its inevitable conse-

"quences upon the local situation is seldom contemplated. A poorly balanced local industrial structure throws the entire industrial front out of joint by causing migration of labour, unemployment, lower wages, curtailed purchasing power, less trading business, lower living standards, high cost of relief, high taxes, tax delinquency, untenanted property, stagnation of building enterprises, obsolescence of community plant, and depreciation of industrial equipment.

Such maladjustments can be averted through planned industrial location. Some measure of industrial zoning on a national basis is an essential part of any plan for the stabilization of employment.

- b. A policy of public spending during periods of economic recession, coupled with a policy of non-spending during periods of business prosperity, is an integral part of any contemplated scheme for restoring equilibrium in the economic structure. Such a policy envisages a comprehensive public works program which can be proceeded with at a time of business depression and which would serve the purpose of providing gainful employment to the workers, and thus maintain, in a period of business decline, purchasing power at a fairly normal level. It is a bad policy for the governments

"to be competing for the available labour supply at a time when private enterprise is able to provide employment.

c. The taxation policy of government must be adapted to the prevailing economic conditions. High taxation during a period of business adversity serves but to place further handicaps upon potential business enterprises. A policy of low taxation should prevail in a depression period. Conversely, a policy of relatively high taxation should prevail during good times. Government income during prosperous years should be applied to the reduction of government debt. A tax policy of this nature would make it possible for governments to play their part in a planned technique aimed at the stabilization of employment opportunities.

d. A national unemployment insurance scheme should be preceded with. Already, it is apparent that a wide public sentiment favours such a proposal. But the public should be under no illusion as to its limitations. Unemployment insurance, by itself, promises no panacea for the unemployment problem. At best, it will provide a short term buffer in a time of industrial recession, and during more normal conditions it will tide certain wage workers over periods of temporary unemployment. But to the extent that unemployment insurance offers either of these ameliorations, it should be adopted as a matter of national policy. It is an essential part of any embracing scheme which contemplates the stabilization of employment.

e. A national network of employment exchanges is

"indispensable to the plan. The existing provincial employment bureaus could constitute the basis, but some plan must be devised to integrate their efforts, improve their statistical procedure and permit their full cooperation for the exchange of labour from one province to another.

- f. An agreement should be speedily arrived at among the provinces regarding the problem of uniform legal domicile.

'Development of Canada's resources demands a large supply of vigorous, mobile labour. A shifting labour reserve, without definite residence, while aggravated in recent years by lack of opportunity for gainful occupation, is not only a natural but almost an essential feature of production in this country. These men must move with employment demands, or lack of the same, and thus have not a free choice as to their place of residence. It is practically impossible for a man in this category to establish residence anywhere. Although he may have five or ten years' history of almost continuous employment, it may spread over widely different occupations in varying localities.' (Report No. 4 National Employment Commission, October 1937.)

"The recommendations of the National Employment Commission with reference to this problem should be acted upon. The solution of the problem of legal residence for the migratory worker, though incidental, is nevertheless an important part of any plan for the stabilization of employment."

THE CHAIRMAN: There are just two or three questions in reference to these specific Recommendations. You speak

of a national system of unemployment insurance. Is it the view of the Mayors' Association that that should be a contributory system, with contributions by the employee, the employer and the government?

ALDERMAN BIGGAR: That is really none of our business, but I think public opinion is in favour of a contributory system.

THE CHAIRMAN: I see. What you are concerned with is national unemployment insurance, and not with the method of the distribution of the cost?

Then you speak of a national network of employment exchanges as indispensable to the plan. Do you mean a national network under federal administration?

MR. MCONEY: Some coordinating effort must be applied to this proposal, because it involves an interchange of labour supply from one province to the other, as we contemplate the problem.

MAYOR LEWIS: All help could be gathered in different centres of the Dominion, so that we would know where to go.

ALDERMAN BIGGAR: I am afraid there are too many obvious dangers about a national system. It must be provincial, but there should be correlation.

THE CHAIRMAN: Then you say "the public should be under no illusion as to its limitations;" that is, of an unemployment insurance scheme. When you speak of Employment Offices, is it your view that coordination through the Employment Offices with an unemployment insurance scheme would meet the situation?

MR. MCONEY: It would help to meet the situation, yes, but it would not fully meet it.

THE CHAIRMAN: It would not fully meet the situation?

Then have you any suggestion as to what further should be done? I mean, you start out by saying that the public should not be under any illusion as to the limitations of unemployment insurance, and I wondered what else you had in mind to supplement it, to stabilize employment. That is the problem you start out with.

MR. MOONEY: Section 14, Mr. Chairman, is probably a feeble effort to suggest some other things that will be required, apart from unemployment insurance, in order to stabilize employment.

THE CHAIRMAN: You point out there, and you are quite correct, the importance of public expenditures on public works in times of depression, and restricting expenditures on public works in times of prosperity, so that the government would not be competing with private effort in securing employees. But take the situation as it exists to-day. Given unemployment insurance, given coordinated Labour Exchanges, given that policy on the part of governments to restrict public expenditures through periods of prosperity, would that give you the stability that you are seeking, or is there some further action necessary?

MR. MOONEY: Alderman Biggar would like to make a statement, Mr. Chairman.

ALDERMAN BIGGAR: My Lord, has it not been the experience of the last fifty or seventy-five years that business, left to itself, is bound to run into peaks and valleys?

THE CHAIRMAN: Yes.

ALDERMAN BIGGAR: Now if that condition is a sine qua non of business operation, I think we might accept as a first responsibility of government the necessity of inverting those pyramids, levelling off the

peaks and valleys first of all, attempting to reduce the waste in operations, as we suggest in regard to the location of industrial plants, avoiding the duplication of plants where they are unnecessary--a very delicate subject, we know.

THE CHAIRMAN: How can you work out this question of the location of plants? I quite recognize its importance.

ALDERMAN BIGGAR: We would first of all prevent the competition for industries that is now going on in parts of Canada, where one municipality will go into a neighbouring municipality and try to get one of its industries to locate within its own borders.

THE CHAIRMAN: Of course, it should not be permitted, but as a matter of fact every one knows it is going on. But it is not in the national interest, or in the interest of the municipalities themselves.

ALDERMAN BIGGAR: If we might take the general point of view, we would try to prevent some of the wasteful competition that is going on, stabilize the boom and depression periods to some degree, and by that means you would obtain a better average production in your country, and you would have a less serious problem of unemployment at any one given time. As your unemployment comes upon you, you could break the thing first with your unemployment insurance, which probably could not carry you over a period of more than six or nine months, certainly not more than twelve months, because it is not a long-term remedy. Then by being prepared in advance you could swing into your public works programme, with less loss of motion and with perhaps better results. If you can have a public works programme which is a combination of economic

and social productivity, it is not adding to the debt load of your country. You could improve your school system, improve your housing, and undertake several other public works programmes of that character, which do not add to the deadweight debt of your country. If you admit at the start that the country is rich enough to carry them out, should such works not be gone on with at the bottom of your unemployment period, and would they not perhaps be sufficient to take the sting out of your unemployment situation? We have had six years of this unemployment situation, and we are getting partly away from it now, but what a tremendous loss of productivity we have had in that period of time. We have all lent our energies and experience in trying to find some way out without ruining the credit structure of the country. Surely there must be some better way because, under the present system, for every man who spends a month idle when he is willing to work but not able to find work we lose not only the money we give him to keep his family going, but we lose the value of his labour.

THE CHAIRMAN: In your Montreal Metropolitan area I understood you to say this morning that you require work as a condition of relief?

ALDERMAN BIGGAR: Except in the City of Montreal, where the problem is too big.

THE CHAIRMAN: But the city does not come within the Metropolitan area.

ALDERMAN BIGGAR: That is right.

THE CHAIRMAN: I was going to ask how you have found it work out in your own experience in the metropolitan area. Have you been able to find useful employ-

ment for all men who are willing to work?

ALDERMAN BIGGAR: It has not been tried out long enough for them to run out of that type of employment, but if we had a long-term plan they would be able to find suitable employment in the cleaning up of parks and vacant land, the cleaning off of snow, and the laying of sewers.

THE CHAIRMAN: Thank you.

MR. MOONEY: Mr. Chairman, and Gentlemen of the Commission, that closes the oral presentation and argument. There has been placed in your hands an Addendum, which is a statistical tabulation dealing with municipal figures in Canada over a period from 1930 on. Different tables deal with different areas. We are offering these statistical tabulations as further evidence on the main argument incorporated in the Recommendations, and we shall be very pleased indeed to present further data to the Commission if required.

THE CHAIRMAN: The main Brief will be Exhibit Number 113, the Supplementary Brief will be Exhibit Number 114, and the document that was tendered this morning, the National Resources Committee's Brief will be Exhibit 115.

EXHIBIT NO. 113:	Brief of the Canadian Federation of Mayors and Municipalities.
EXHIBIT NO. 114:	Supplementary Brief of the Canadian Federation of Mayors and Municipalities.
EXHIBIT NO. 115:	National Resources Committee's Brief.

LEONOR A. RAYNAULT: (Montreal) addressed the Commission in French, and the translation of his remarks follows:

MAYOR RAYNAULT: Mr. Chairman and Commissioners, I wish to thank you for the attention you have given to the Brief which we have submitted, and which we have made as brief as possible. The information contained therein is not the last word on this subject, but it is a start. On behalf of the city of Montreal and the Association, I thank you.

MAYOR STANLEY LEWIS (Ottawa): Mr. Chairman, and Gentlemen, it gives me great pleasure on behalf of our Association to thank you most heartily for your kind reception of the presentation of our Brief to-day, and I should like to say how much we appreciate it. We think that some good will come out of the facts and figures we have presented to you, and wish to say that our Association is willing at all times to assist in presenting any further information you may require.

THE CHAIRMAN: I thank you very much. Just before you leave, Mr. St. Laurent, our Counsel, would like to elucidate one or two points in the Brief.

MR. ST. LAURENT: There is very little, Mr. Chairman, because most of the points on which I had made notes have been dealt with as the Brief was being presented. But I did notice, Mr. Mooney, in these tables that have been put in as illustrating the points that are being made, that there were some discrepancies in the figures. I suppose it is a practical impossibility to get accurate statistics from a large number of individual municipalities?

MR. MOONEY: Exceedingly so.

MR. ST. LAURENT: For instance, on page 13, the municipal debt for Nova Scotia is given as \$33,000,000 roughly. Then in the Table on page 20 it would appear as only \$23,000,000. That might possibly be because the

statistics were made up in a different way, that one is gross and the other net.

ALDERMAN BIGGAR: One is gross and the other is net. Page 20 is net and page 13 is gross. The difference between the two figures would indicate a sinking fund of \$10,000,000.

MR. ST. LAURENT: That appears to be somewhat larger than is given in the Addendum.

ALDERMAN BIGGAR: The figures do not agree, and there are more glaring errors than you have found, but we are presenting the figures as the best we could do with the material available.

MR. ST. LAURENT: The same with the province of Québec. On page 13 the municipal debt of the province is given as \$565,000 in 1934, and on page 20, which gives the net debt, the figure is \$434,000.00, and then on page 25 it is given as \$420,000.00. These figures are given for the purpose of illustrating the general trend, and not as being strictly accurate tabulations for the municipalities?

MR. MOONEY: We offer them purely as indicative of trends.

ALDERMAN BIGGAR: This brings out the point we have had so much trouble with, and it has gone to the point of interesting the Hon. Mr. Euler, who instructed the Bureau of Statistics to call a meeting last summer for the purpose of trying to avoid just such contradictions. Some tables have been taken from one source, some from another, and they do not agree. There is a great deal of difference on the definitions themselves. I do not believe I could get you a definition of the term "net debt" that would be accepted by the different individuals in that line of business.

MR. ST. LAURENT: I suppose if there was something in the form of a Biennial Conference between federal, provincial and municipal authorities, a greater degree of uniformity with respect to all these matters could be achieved.

MR. MOONEY: Quite so.

MR. ST. LAURENT: Then on page 36 there is the statement that during the period particularly from 1900 onwards "Municipal administrators were subject to the psychological influence of an expanding economic structure". If there was to be adopted this policy of retrenching during good times to be prepared for bad times that might come, these Conferences you suggest might be very valuable for changing a natural psychology that has persisted up to the present?

MR. MOONEY: We feel so.

ALDERMAN BIGGAR: We feel there are enough brains in Canada to make a better job of it than has been done in the last ten years.

MR. ST. LAURENT: We hope so.

ALDERMAN BIGGAR: It must be so; otherwise there is no future.

MR. ST. LAURENT: With reference to the Recommendation in regard to housing for the low-income groups, is it the considered view of the Association that there would have to be some concession on these new properties, with respect to municipal taxation to bring about the kind of situation you desire?

ALDERMAN BIGGAR: There must be concessions in exchange for concessions. The owners must not be able to make a profit above the normal rate, let us say four per cent.

MR. ST. LAURENT: But if there was to be federal assistance, with low-rate long-term money and municipal concessions, that in itself would require large degree of cooperation between the three kinds of governments that we enjoy?

MR. MOONEY: Very much so.

ALDERMAN BIGGAR: But private capital that takes much of these concessions should be on a limited dividend basis. In other words, the risk is not that of the government, and the profits that of private capital.

MR. ST. LAURENT: That would probably require a fourth factor in the cooperative arrangement to achieve the desired result?

ALDERMAN BIGGAR: It looks as if Mr. Roosevelt has accepted our suggestion.

MR. ST. LAURENT: I think that is all, Mr. Chairman.

THE CHAIRMAN: We thank you gentlemen for a very interesting and able Brief covering many points that must receive the careful consideration of the Commission. We wish to express our appreciation of the help you have given us in these matters.

Next is the Brief of the National-Corporatist Movement.

R. ROGERS SMITH was called.

SUBMISSION BY

NATIONAL-CORPORATIST MOVEMENT

MR. R. ROGERS SMITH: My Lord and Gentlemen of the Commission, I am here on behalf of the National-Corporatist Movement. This Brief is addressed to the Honourable Members of the Rowell Commission. I am going to suggest that it would probably be better for me to read first the last paragraph on page 2 because

it seems to give the keynote of the entire submission:

"The Imperial Parliament having abandoned the paramount powers, the constituent States in Canada should meet and decide their reallocation without heeding what our servants in Ottawa think or desire."

I will read that again:

"The Imperial Parliament having abandoned the paramount powers, the constituent States in Canada should meet and decide their reallocation without heeding what our servants in Ottawa think or desire."

This is practically what Dr. Beauchesne advocated in his pronouncement before the Special Committee of the House on the British North America Act in 1935, calling for a constituent assembly of all the provinces to redraft a constitution for Canada.

Without any further words I think I had better read the Brief through, and if there are any questions to be asked, I shall be glad to answer them.

To The Honourable Members
Of The Rowell Commission:

"I appear on behalf of 33,000 Quebec members, located in 1245 Parishes and forming part of the National-Corporatist Movement, whose ideal is the Social and Economic reconstruction of Quebec. We operate through 1245 Parochial Economic and Corporative Chambers, akin to Boards of Trade and Community Clubs and based on professional representation like the Rotary Clubs. Also through Guilds, five of which have already their government charters. The official organ of these organizations being L'Unité, a French weekly having a sworn circulation of 33,000.

(Page 3395 follows)

"First of all we courteously protest, not against the eminent personnel of this Commission, but against its very foundation, which we consider as an impertinence on the part of the dominion government which seems to consider the provinces as its possessions or colonies.

The dominion government did not conquer the provinces, nor purchase them, nor create them. It was rather a creature of the Confederating or Constituent Provinces which ceded it certain of their powers, knowing that the paramount powers remained in the British Parliament. That was the main protection the provinces retained against each other and without which they would not have confederated since two of them were small and Quebec was as much suspicious of Ontario as Ontario of Quebec.

Another protection was a written constitution which Great Britain does not enjoy for its own guidance. This constitution could be modified only by the Supreme Authority: the British Parliament.

The first protection, (paramount powers in London), has been practically removed by the Statute of Westminster, whereby the British Parliament is no longer the arbiter between Canada and its provinces and between the provinces and will never interfere, except by mutual and probably unanimous request and consent, since only as to Canada did it retain the power to amend Dominion Constitutions.

If the Dominion Parliament were to abuse now of its powers by discriminating against one province, the latter would not be heard in London

as it could have been technically or theoretically at least before 1931. The provinces which created the Dominion Parliament will have no redress unless the paramount powers retained by the British Parliament in 1867 do revert, as they logically should, to the Constituent Parties, the Provinces.

If four partners agree by contract to vest the supreme authority on a Chairman and lesser powers on a general manager, the supreme authority does not automatically vest unto the general manager upon the death or resignation of the Chairman, but the four partners have to meet again to redistribute the powers. The four original provinces accepted London as Chairman and Ottawa as General Manager. In 1931 the Chairman(London) resigned and now the General Manager (Ottawa) claims the supreme powers.

The only logical thing to do is for the constituent or contracting parties -- the provinces -- to meet in conference as they did in Quebec in 1864 and decide how the paramount powers shall be re-allocated or redistributed, not for the creature or general manager of the provinces (Ottawa) to accapare it as its due.

This brings us to the second protection: namely, the existence of a written constitution. The British Parliament has retained the power to amend it only because the Canadian Government had the decency of leaving the question open in the deliberations preceding the Westminster Statute of 1931. There must have been a feeling that since the B.N.A. Act had been the result of

a compact between constituent provinces, no changes could be contemplated without their consent.

But their consent is not the right word. In other words it is not meet for the dominion government, the creature, to ask the consent of the creator--the provinces -- for grabbing the paramount powers abandoned by the British Parliament. It is even an impertinence on the part of our General Manager, the dominion government. The initiative should come from the provinces which still exist as autonomous entities albeit deprived of some powers.

Confederation means the alliance of several states which submit to a central authority already existing or one they create, but retain some autonomy. It does not signify the extinction of the identity of the Constituent States, but the relinquishing only of some of their powers. In other words they continue to exist as States and if a change is contemplated in their relations, they have the first and last say.

The Imperial Parliament having abandoned the Paramount Powers, the Constituent States in Canada should meet and decide their reallocation without heeding what our servants in Ottawa think or desire.

The Paramount powers in London included the power of amending the constitution. That power should be retained by the provinces to be used by unanimous agreement. In fact what we advocate is a conference of provinces in the near future without any invitation to the dominion government. A revamping of the whole constitution by unanimous consent in the direction of the

utmost autonomy for the provinces. That is, we believe, the general desire of the provinces. But we go farther.

There is no valid reason to retain the present free entry of goods from one province to the others which creates unnecessary millionnaires and the overgrowth of certain towns at the expense of the rest of Canada and consumers generally, and industrial inertia or paralysis in certain poorly industrialized provinces. France is a great country and yet there are "octrois" or custom imposed in certain cities against the rest of France. We therefore advocate the abolition of subsection 2 of section 91 of the B.N.A. Act, 1867, relating to Trade and Commerce and section 121 (free entry).

We advocate also leaving the currency and coinage to the dominion parliament but leaving each province to provide for its banking, paper money, savings bank, credit, bills of exchange, promissory notes, interest, bankruptcy and insolvency. We would therefore abolish subsections 15, 16, 18, 19 and 21 of section 91.

We suggest depriving the federal government of all taxation and borrowing powers and would provide instead that all provinces, which would get all revenues from customs, excise, licenses and income or other taxes, should pay for the expenses of the central government per capita."

I think that would mean pro rata.

All social services such as help for the poor, afflicted, unemployed, widows, etc..... being assumed by each province respectively.

Of the only subsections of section 91 we would retain, 5 of them would be relating to: Civil

Service; Census and Statistics; Militia, military and naval service and defence; Federal salaries; beacons, buoys, lighthouses; navigation and shipping; currency and coinage; weights and measures; patents of invention and discovery. Copy-rights and similar powers needed for the central authority.

We propose also that the parliament be abolished and be replaced by a Council of the nine provincial premiers or their delegates who surely do represent the real views of their respective provinces. This council would meet in different parts of Canada and enjoy somewhat greater powers than the dominion premiers now have at Imperial Conferences.

The provinces would deal with each other through commissioners at each provincial capital like the dominions now deal with the Imperial Government or with each other. Trade Treaties would be signed between the provinces.

Our proposals may appear revolutionary to people who never studied the constitutional history of Canada or forget that Canada is a Confederation of autonomous states and is not an amalgamation or fusion, or legislative Union. Most provinces want greater autonomy and are against centralization. Our organization is decidedly for autonomy and if we submit a brief to your body, it is not because we recognize your right to act on behalf of Canada, as the Dominion Government asks you to do, but because we are afraid your report might be misinterpreted in London as the views of the Canadian people."

THE CHAIRMAN: Mr. Stewart, have you any questions?

MR. STEWART: No.

THE CHAIRMAN: I think your organization, Mr. Smith, has made its views quite clear in this brief. We thank you for it, and it will be filed as Exhibit No. 116.

EXHIBIT NO. 116: Brief submitted
by Corporation des
Chambres Economiques

THE CHAIRMAN: The next brief is the Canadian Tuberculosis Association. I understand this brief will be presented by Dr. G.J. Wherrett.

DR. J.G. WHERRETT was called and examined.

DR. WHERRETT: Your Lordship and members of the Royal Commission: In presenting this brief to the commission the Canadian Tuberculosis Association hope to point out a few outstanding facts in regard to the tuberculosis problem in Canada, and to make a few recommendations based on these facts.

On page 1 of the brief we have set out the problem in Canada in the different provinces. It will be seen that in 1936 there were 6,763 Canadians who died of tuberculosis. Of this number 748 were Indians. That was the seventh cause of death for all ages and the greatest cause from 15 to 45.

The rate is by no means uniform in the provinces as will be seen from the table. Taking all races, Saskatchewan has the lowest with 29.97, while Quebec stands highest with 93.34. The next column excludes the Indians and shows the tremendous effect that the Indian deaths have, particularly on the four western provinces. It will be noted in Alberta, for instance, the rate is reduced from 49.48 per 100,000 to 29 when we exclude the Indians.

On page 2 we have tried to set out the extent of the problem in Quebec and the Maritime Provinces as compared with Ontario and the western provinces. For all races except Indians, Quebec and the Maritime Provinces constituting only 37 per cent of the population, contributed 62 per cent of the deaths. In regard to the Indian problem the situation is reversed as far as Quebec and the Maritimes are concerned. There the Indians constitute 16 per cent of the population but only 8.1 per cent of the deaths. So you will see that the problem in the Indian population is in Ontario and the western provinces.

We have set out on page 3 the proportion of Indian deaths to total deaths for all the provinces, and it will be seen that in Ontario they constitute 8.3 per cent; in Manitoba, 38.4 per cent; in Saskatchewan, 26.5 per cent; in Alberta 41.3 per cent and in British Columbia, 52.9 per cent.

THE CHAIRMAN: To what do you attribute this great difference in the death rate among the Indian population of the different provinces?

DR. WHERRETT: I think, sir, in regard to the Eastern Provinces and the Western Provinces, the Indians in the Eastern Provinces have been longer in communication with the white people; there is a greater admixture of white blood and they approach more closely to the white people. Whereas the western Indians have only been in communication with the white population for a much shorter period of time and they have not the same mixture of white blood. That I think is the main reason.

COMMISSIONER ANGUS: Is the rate especially high among the Japanese in British Columbia?

DR. WHERRETT: It is comparatively high, sir. Not anything to the extent it is in the Indian population. It is higher in the Chinese than in the Japanese, by the way.

On page 4 we have set out tuberculosis control schemes in Canada. And the point there is that Canada has no national scheme as has Great Britain or some of the other members of the Commonwealth, such as South Africa. authority rests with the provinces and the dominion government takes no part in the programme except for two classes of the population; that is, the pensioners and the Indians. There is no overlapping between the Dominion and the provinces

We feel that the pensioner is well looked after in Provincial institutions at the expense of the federal government, but we feel that the Indian has not received the same attention. The Indian Affairs Branch utilizes, only in a very limited way, the facilities that are available in the province, and yet they have no facilities of their own to take care of the problem. Only in one province have they a specially trained staff to undertake this work and are they undertaking it to any extent?

THE CHAIRMAN: You give the figures here of the very much higher mortality among the Indian population than the white. Perhaps I am anticipating something that you will come to later, I was wondering what the figure ^{regard to} was in / the difference between the mortality per thousand among the Indian population and the white population from tuberculosis?

DR. WHERRETT: I think we come to that later, sir. The rate is twelve times in the Indian population what it is in the whites.

On page 5 we have dealt with the adequacy of existing

provincial tuberculosis facilities. And we have said that the basis of a successful campaign depends on two factors; that is, the diagnosis of the disease and the facilities for treatment. As to diagnostic facilities Canada is very well supplied as far as the white population is concerned. There is a net-work of clinics throughout Canada which is managed by provincial health departments, sanatoria and local anti-tuberculosis associations, which serve very effectively the population.

To give you some idea of how effective they were last year, they were able to examine 160,000 people, which is a tremendous proportion, and they have done a good deal to bring to light the cases of tuberculosis that exist in the community. That obtains as far as the white population is concerned, but unfortunately we feel it does not obtain in regard to the Indian. Then we deal with treatment facilities and over on page 7 we have set out the proportion of treatment beds in Canada to deaths. Usually that is the way we have of estimating how well our requirements have been taken care of, and we think that it is necessary to have more than two beds per annual death. The practical test of course is when waiting lists disappear and we find that does not take place until we have more than two sanatorium beds per annual death.

On that table on page 7 it will be noted that Ontario and Saskatchewan have exceed the ratio of two beds per death. Ontario has 2.41 while Saskatchewan has 2.53, Manitoba 1.6, British Columbia 1.15 and Nova Scotia and New Brunswick 1.1. Prince Edward Island Quebec and Alberta are low in their bed requirements.

When we examine the tuberculosis costs in Canada we get some idea of why there is a discrepancy in treatment facilities. On page 9 we have set out the cost of

tuberculosis in Canada and when we look at the per capita cost we find that five of the nine provinces are spending 70 cents or more per capita and yet there is a great difference in what they have been able to provide with that comparatively same amount of money. For instance, in Saskatchewan they have been able to provide 2.5 beds per annual death with 76 cents per capita; whereas Nova Scotia with 74 cents has only been able to provide less than half the number - 1.1.

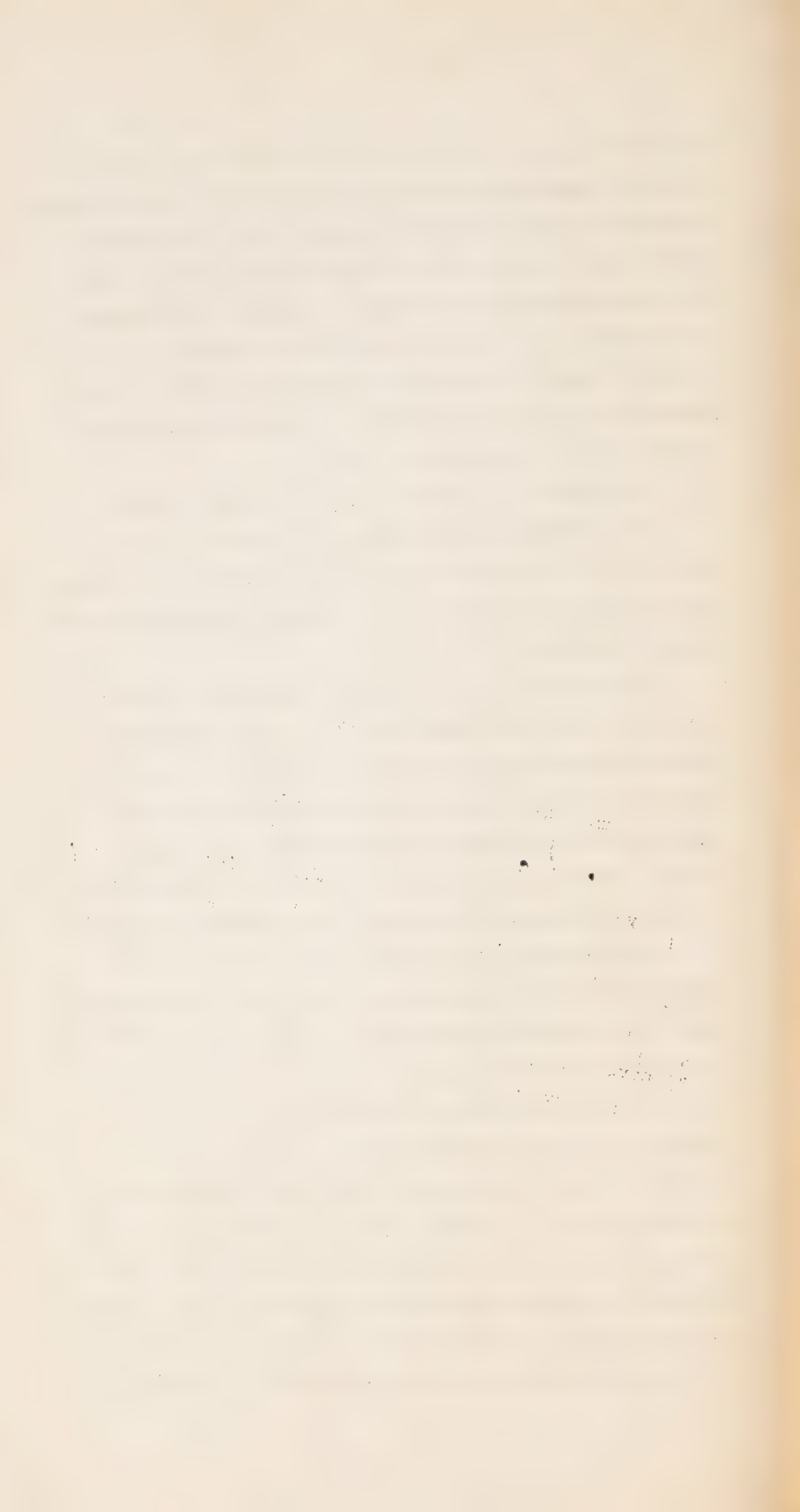
THE CHAIRMAN: What is the explanation of that?

DR. WHERRETT: The reason, sir, is that the death rate is more than twice as ^{high} in Nova Scotia, so that \$1 spent in Saskatchewan will go twice as far as \$1 spent in Nova Scotia.

We feel that is a very good argument for special grants to those provinces that have such a tremendous problem from tuberculosis. If we asked Nova Scotia to spend as much in proportion as they are spending in Saskatchewan, it would mean that perhaps they would spend \$1.50 or \$2 per capita and that is an amount that it is very difficult to persuade the provinces to spend.

THE CHAIRMAN: I am afraid that the province of Saskatchewan is in more straitened financial circumstances than the province of Nova Scotia, based on the information we have had presented to us.

DR. WHERRETT: Yes, quite true, sir. We have set out on page 9 something about the benefits that we think accrue from adequate facilities for the control of tuberculosis. We think this is well shown in the case of Ontario and Saskatchewan. They have had more adequate facilities than the other provinces for a number of years and it is found there they have reduced their death rate 41 per cent in Ontario and 46 per cent in



Saskatchewan. Whereas in Nova Scotia and New Brunswick the fall has only been 28 per cent and 27 per cent. That is set out in the table on page 10. We have not included Quebec in that figure because they were not included in the registration area for the years from 1922 to 1925. That table sets out the average from 1922 to 1935, the average for 1933 to 1936 and the percentage decrease. And it is shown that Ontario and Saskatchewan have a much greater decrease than the other provinces.

From that we believe that Ontario and Saskatchewan from now on will be spending less on tuberculosis than they have up to the present time. They have cut their death rate in half in 15 years and with present facilities there is every reason to believe that they can do quite as well in the next 15 years. But the other provinces, because their facilities are inadequate, will be faced with higher expenditures for at least another 20 years.

THE CHAIRMAN: I do not know what the situation is in Saskatchewan but in Ontario private benefactions have materially helped to provide the sanatoria.

DR. WHERRETT: Yes, sir, that has made quite a difference to the provision of sanatorium beds, but 90 per cent of the ^{cost of} maintenance of those beds has been borne by the province and the municipalities.

We have set out on page 11 how the programme is coordinated in Canada. In the absence of a federal scheme the Canadian Tuberculosis Association has attempted for 37 years to be the coordinating body. It has received grants from the Dominion Government, from the Red Cross Society, the Canadian Life Insurance Officers Association and other private citizens. It has maintained the Christmas Seal campaign for 11 years and has raised \$1,500,000 from that, which has been used in the prevention of tuberculosis.

We would like to set out the factors which we think are mitigating against the successful campaign in Canada. They are set out on page 13, and are as follows:

" 1. The tremendous tuberculosis burden of a number of the provinces, notably Quebec and the Maritimes, as compared with that in other provinces.

2. The lack of adequate measures for the control of disease in connection with the Indian population in Canada. The Indian has never been provided with the same facilities for diagnosis and treatment as has been provided by the provinces for the white people. The Indians are a menace to the white people in their respective provinces, and Indian reserves are a source of infection from which adjacent white settlements become contaminated."

THE CHAIRMAN: I am not sure whether it was in Manitoba or Saskatchewan it was represented to the Commission that the existence of tuberculosis in Indian Reserves was a positive menace to the white population in the province. They felt that there should be a closer cooperation between the dominion and the province in dealing with the matter as it affected the Indians in their relation to the whites.

DR. WHEERRETT: We have made a few recommendations which we think will strengthen the campaign in Canada, which I will read to you:

" The following recommendations if put into effect would require no change in the constitution or general Dominion-Provincial set-up. All the machinery is in existence which may be required to carry forward the present programme for more efficient tuberculosis control. It is recommended

that:

1. The Federal Government should recognize the principle of grants-in-aid to those provinces where the burden lies most heavily. These grants could be adequately supervised by the Department of Pensions and National Health through its division of Epidemiology. The Canadian Tuberculosis Association is available in an advisory capacity to help in deciding where the greatest need lies. These grants-in-aid need not be given to any particular province but should be made on the basis of extent of the burden and willingness on the part of the province to carry out a scientific and well organized campaign. Some consideration might also be given to provinces who can show that they have special burdens such as an abnormal number of homeless tuberculous drifters due to their climate which tends to attract these people."

I mention that because British Columbia has brought to our attention many times the fact that they feel they have an abnormal number of that class of people. I continue with the recommendations:

" 2. Greater responsibility should be taken by the federal government through the Indian Affairs Branch of the Department of Mines and Resources as to Indian tuberculosis. This problem could be more adequately dealt with by the addition of one or more tuberculosis officers to the staff of the Indian Affairs Branch. Their duties would be to utilize and coordinate already existing clinic facilities of the provinces, to provide continuous diagnostic services to the Indian reserves and so discover as many tuberculosis cases as possible that

exist in the Indian residential schools or on the Indian reserves."

COMMISSIONER ANGUS: Am I right in thinking there has been or is being made some agreement between the Dominion and British Columbia to use the provincial services and pay for them?

DR. WIERRETT: Yes, that is being carried out -- that is being initiated; but we should like to see it go much farther than it has. I continue with the brief:

" Provincial facilities for the treatment of Indians should be utilized where available and, in addition, extra facilities provided where these do not exist. All open cases of Indian tuberculosis should receive special care and supervision, either in institutions or on reserves, by trained medical attendants and public health nurses.

The value of such a programme we believe has been demonstrated in Saskatchewan where it has already been partially initiated. Over approximately eight years the death rate has been materially reduced among Indians in that province. The Saskatchewan Indian rate for 1936 was 577 as against 1,199 for Alberta and 1,313 for Manitoba for that year."

You remember that the death rate for Canada is 65 as against 577 and 1199 in Alberta.

" To carry out the increased Indian programme indicated in the two preceding paragraphs, it will require an added expenditure by the department of \$500,000.00 annually.

We feel that is an expenditure that is long overdue; and it is ^a duty we owe not only to the Indian but to our own people on account of the menace which the Indian

affords to our people.

THE CHAIRMAN: This is the first brief in which we have had the figures of the estimated increased cost of the service recommended. We are very glad to have it.

Doctor, you say that the death rate among the Indians is twelve times as great as among the whites. How far is that due to habits of life and their primitive civilization, and how far is it due to lack of scientific treatment?

DR. WHERRETT: We feel, sir, that the factors which you mention, peculiar to the Indian, are contributing factors which are important, as far as the Indian is concerned, but we feel that that has been made an excuse for years, for not carrying out scientific methods and giving the Indian the same treatment which is given to the white man. We believe that the factor of infection is of more importance than environmental factors, and if we applied the same measures we are applying to the white population we could bring about just as great a reduction, or greater, in the Indian death rate. Because those peculiar factors exist, factors which are peculiar to the Indian, the factor of infection plays a greater part perhaps than it often does in the white population.

THE CHAIRMAN: You may not be in a position to give an opinion, but if you are in a position to do so how much do you think that Indian death rate could be reduced by suitable treatment,

DR. WHERRETT: We would have no hesitation in saying that we could cut the death rate in half in fifteen years by applying the same measures that we have done to the white population.

COMMISSIONER DAWOE: In Saskatchewan since they have begun to pay special attention to this matter, do they make the sanatoria available for Indian patients

freely?

DR. WHERRETT: They have an Indian hospital in Saskatchewan which they use mainly, but they do make the sanatoria available if the Indian Department will admit patients.

COMMISSIONER DAFOR: There are no difficulties in that respect?

DR. WHERRETT: No.

THE CHAIRMAN: Does the Indian Department favour treatment in the sanatoria?

DR. WHERRETT: Yes, they never have funds available to provide treatment to any extent. They treat a few patients, but very few.

COMMISSIONER DAFOR: Do the clinics that are operated in Manitoba go into the reserves?

DR. WHERRETT: Yes, they go into the reserves to quite an extent and would go in more if there was some way of arranging for it, some way of paying the costs. As a matter of fact, last year the Indian Affairs Branch provided a good deal of money for that sort of thing in the west. They did more work of that sort last year than ever before, I should imagine.

COMMISSIONER DAFOR: Is the divergency in the figures between the western provinces and the Maritimes due largely to the fact that Ontario and the west became awake to the dangers of the epidemic earlier than the other provinces?

DR. WHERRETT: That is true; but it is also true that Quebec and the Maritime Provinces had a higher death rate when the campaign was initiated. But it is also true that Ontario and the western provinces have provided more facilities and have had a greater reduction.

THE CHAIRMAN: Mr. Stewart, have you any questions to ask?

BY MR. STEWART:

Q. In the statistics on pages 1, 2 and 3 do you include in the term "Indians" half-breeds as well? A. No, we have excluded half-breeds because they are a responsibility of the province.

Q. And the Indians are the Indians on the reserves; is that it? A. Yes.

Q. On page 9 there is a footnote referring to Mothers' Allowances that strikes me as a little misleading. You notice the footnote dealing with Mothers' Allowances? A. Yes, sir.

" "are given in six provinces. They are granted to consorts whose husbands have died of tuberculosis, for the purpose of caring for dependent children. In some provinces these allowances are granted where the husband is disabled by reason of tuberculosis." I understand that these Mothers' Allowances are of general application, are they not? A. Yes, this just applies to the Mothers' Allowance which was given for tuberculosis cases.

Q. Have you made any estimate of the amounts that would be necessary by way of grants-in-aid under your first recommendation? A. That is very difficult to do, sir. I think that it depends on the local situation in the province.

Q. You have made no specific estimates? A. No.

THE CHAIRMAN: Dr. Therrett, would you just tell us what your organization is, how it is organized?

DR. THERRETT: The Canadian Tuberculosis Association was started in 1900. It was the first of the voluntary organizations that came into existence. And in actual practice the executive of the Association is composed of the tuberculosis workers in different provinces and the public health officials. There are a number of physicians also who are interested in the Association and

a great many public spirited citizens. That is the basis of the organization. There are over 100,000 people who contribute to our Christmas Seal campaign every year, in addition to those who contribute to local organizations. There are a tremendous number of people who are affiliated with local organizations and that local organization is in turn affiliated with our organization. We are a member of the International Union Against Tuberculosis, and we receive all the information from that body in regard to the problem.

We meet once a year and we usually have a good representation from the various provinces, and are able to discuss the problems of Canada.

(Page 3420 follows)

THE CHAIRMAN: Is it your organization that Dr. George Porter was connected with for some years?

MR. WHERRETT: Yes.

THE CHAIRMAN: The brief will be filed as Exhibit No.117.

EXHIBIT No.117: Brief submitted by the Canadian Tuberculosis Association.

THE CHAIRMAN: This concludes the briefs that have been presented to us at this Ottawa sitting. Some have not been read and they will be heard at some one of the provincial sittings at a later date. We will now proceed with that portion of our work for which I indicated, at the opening, that we were coming to Ottawa, and will consider the question of overlapping services. Mr. Finlayson, of the Department of Insurance, is here I believe, and will give us information with respect to that department. Mr. Finlayson, it is suggested in the order in council appointing this Commission that the cost of government in Canada is increased by overlapping and unnecessary duplication of services, and it is to that point that we are especially directing our investigation now.

MEMORANDUM ON THE SUBJECT OF
THE SUPERVISION OF INSURANCE,
LOAN AND TRUST COMPANIES IN
CANADA.

MR. G.D.FINLAYSON(Superintendent of Insurance):

Your Lordship, I am not sure what would be the best way for me to proceed. I have prepared a memorandum for my guidance in answering any questions that may be put to me. Perhaps it is unnecessary for me to read it. I have submitted the original to the Commission. I have not had it mimeographed, but I have carbon copies which I think are legible, if your associates would like to have them.

MR. ST.LAURENT: I understand that the secretariat

has had it mimeographed and copies have been placed in the hands of the Commissioners.

THE CHAIRMAN: Perhaps Mr. St.Laurent would ask you questions, Mr. Finlayson, and you might develop the situation as he proceeds; and then if there are any further questions which the Members of the Commission desire to ask you they can be put after Mr. St.Laurent has got through.

MR. ST.LAURENT: I have the original of this memorandum and perhaps we can mark it immediately as Exhibit No.118.

EXHIBIT NO.118: Memorandum on the subject of
the supervision of insurance,
loan and trust companies in Canada.

BY MR. ST.LAURENT:

Q. In this memorandum, Mr. Finlayson, you have given a reference to the statutes under which your department supervises the insurance business -- that is, within the federal jurisdiction. I note that there are 404 licensed companies, that is, licensed by the federal authority?

A. Yes, licensed under the second and third of these Acts referred to.

Q. And I note that 100 of these are Canadian companies and 304 British or foreign ? A. Yes.

Q. Are the Canadian companies incorporated, all of them, by the federal authority, or are some under provincial charters ? A. I think there are 10 incorporated by the legislatures of the provinces.

Q. Ten fire and casualty companies? A. No. There are two life insurance companies incorporated by one province and eight fire and casualty companies. The other 90 of these 100 are incorporated by the Parliament

of Canada.

Q. Does that involve a correction in the memorandum?--- because I see that the statement is made, "with the exception of two life and ten fire and casualty companies."

A. Yes; there are 12 altogether.

Q. So that these figures are correct? A. Yes.

I may say that of these 10 fire and casualty companies six are incorporated by the province of Nova Scotia, and the laws of that province require that they must have a dominion licence in order to operate even in that province.

Q. The memorandum shows the proportion of business done by companies holding dominion licences and that done by companies holding provincial licences. Is it a fact that the Canadian companies that hold dominion licences are also required to obtain provincial licences in order to operate in each of the provinces? A. That is true, I think, in all the provinces with the possible exception of two; I believe that in Prince Edward Island and Nova Scotia they are not required to have provincial licences.

Q. So that we have provincial licensees, that is to say, companies that have no dominion licence? A. Yes.

Q. But even among the Dominion licensees a large number of them are also required to have provincial licences for the business they transact in the several provinces?

A. Yes, with the exceptions I have mentioned.

Q. You will note in the memorandum that the total business done by companies having no dominion licence has declined in proportion even since 1931? A. That is correct.

Q. There are more companies that have found it

convenient, then, to register under the federal Act?

A. Yes. There has been a gradual movement from provincial charters and licences to dominion charters and licences. That is particularly true of 1937, which is not reflected in these figures. These figures relate to the end of 1936.

Q. Organizations that have heretofore operated under provincial charters are obtaining federal charters?

A. Yes. There were six Ontario incorporated companies that came to Parliament at the last session in 1937 and secured dominion charters. All of those have since become organized and licensed under the dominion Act.

Q. Do these companies operate, in fact, all over Canada without provincial licenses? Do Canadian incorporated companies operate with or without provincial licenses?

A. I believe that in all provinces except Prince Edward Island and Nova Scotia all Dominion licensees are required to have provincial licences in the provinces in which they operate.

Q. And with respect to the British and foreign companies, does that also apply? A. That also applies.

Q. There are 304 British and foreign companies that have federal licences which are also required, in all the provinces but Prince Edward Island and Nova Scotia, to duplicate their licences with provincial licenses?

A. Quite.

Q. The federal department which you supervise has a complete system of inspection and reporting requirements from all companies having dominion licences?

A. Yes. That is the system that has been developed ever since 1875, when the department was organized.

Q. You have described here the object of that

supervision as being mainly to ensure the ability of companies at all times to meet the valid claims which may arise under the policies that they may issue?

A. Yes, that is as we regard it. We consider that to be the main object of supervision -- to protect the policyholders, so that they can be sure of getting their money when their contracts call for it. There are of course other incidents of supervision; but if it were not for the necessity of safeguarding policyholders in that respect, I suppose the supervision of insurance to any extent greater than the supervision of other businesses would never have developed. There was probably no more reason for supervising the insurance business than supervising any aspect of trade except for this -- that under the insurance contract performance on the part of one of the parties, the policyholder, is immediate, inasmuch as he commences to pay his premium at once; whereas performance on the part of the other party, the insurer, may be deferred for many years. It is necessary therefore to provide some means of ensuring that the funds arising from the performance of the first party shall be safeguarded so that the second party can perform when called upon to do so. That seems to me to be the essence of supervision, and naturally it is one upon which we place the greatest emphasis.

Q. And is that reinforced also by the requirement of deposits? A. Yes.

Q. Under the control of your department? A. Yes.
In the case of Canadian companies, companies domiciled here, the deposits play of course a lesser part because all their assets are here within our jurisdiction. But in the case of British and foreign companies, our only

hold upon them is their assets deposited here within our control.

Q. Is the situation such that these companies make these deposits and provide these securities for the purpose of obtaining the dominion licence, although they also have to secure the additional provincial licence, in seven of the nine provinces, in order to operate in those seven provinces? A. Are you speaking of British and foreign companies, companies from outside?

Q. Yes. A. Of course, our Acts provide that they cannot do business in any part of Canada, even in a single province, without obtaining a dominion licence; and in addition to that dominion licence they must make a certain minimum deposit of \$100,000. Then, as their liabilities exceed that initial deposit, they must provide additional deposits to cover up, so that as time goes on their deposits under our control must be at least equal to their total liabilities to policyholders in Canada.

Q. What has been the experience of the office as to the adequacy of the protection afforded the Canadian policyholder by means of this supervision and these deposits? A. Since the deposit regulations have become fully effective -- well, perhaps I might begin by saying that the legislation came into effect first in 1875. Certain concessions were made in respect of business already in force. The legislation did not immediately come into full operation; there was a short period of transition when there were some slight losses occasioned to Canadian policyholders. But since that system of special Canadian deposits has come into full operation the adequacy has been 100 per cent. There has been no case of a loss.

Q. How far back does that go? A. To 1875.

Q. But since it has come into full operation, for how long a period has it been 100 per cent efficient?

A. What I have said is entirely true of the period since about 1880.

Q. Since 1880 it has been 100 per cent efficient?

A. Yes.

THE CHAIRMAN: For more than fifty years there has been no loss by reason of an insurance company defaulting on payment to any policyholder?

MR. FINLAYSON: That is true now of British and foreign companies; that is the part which is specially secured by this deposit system. That has been 100 per cent adequate.

BY MR. ST. LAURENT:

Q. With respect to companies incorporated in Canada, how effective has it been possible to make the supervision and also the protection of policyholders? A. I could hardly state it as a percentage. There have been cases of insolvency of Canadian fire and casualty companies, but it has been 100 per cent in respect of life. There has been no loss, not one dollar of loss to any Canadian life insurance policyholder of any Canadian company or any British or foreign company since this deposit system has become operative. In the case of fire and casualty companies there have been a few companies, the smaller and weaker Canadian fire and casualty companies, that have gone into liquidation, and dividends of less than 100 cents in the dollar have been declared to their policyholders, but not more than half a dozen.

Q. Any in quite recent years? A. No; there was one in the province of Quebec in 1928.

Q. Was that company under federal supervision at the time?

A. Yes. It was a guarantee company doing business largely in guaranteed bonds, and it engaged in the business of guaranteeing mortgages and also guaranteeing the export of liquor to certain destinations. I know His Lordship will recall that case.

Q. A somewhat risky business? A. Yes.

THE CHAIRMAN: They were called upon to give too many guarantees.

MR. FINLAYSON: There were guarantees of \$1,900,000, paid up \$150,000, and total assets of two or three hundred thousand.

BY MR. ST. LAURENT:

Q. With the exception of these very special items, what would you say, from your experience or that of the department, as to the effectiveness of the inspection and control that is exercised over such companies as are licensed by your department, in the interests of the policyholder? A. It is 100 per cent effective.

Q. It gives everything that human ingenuity can provide for the proper safeguarding of the policyholder?

A. We think so, and I think that is borne out by experience.

Q. With respect to those companies, whatever else is done elsewhere is in your opinion quite unnecessary for the protection of the policyholder? A. That is the way it appears to us. We cannot see that any good purpose is served in the interests of the insuring public by anything additional that is done by the provinces in respect of those companies which our department supervises.

Q. Whatever other reasons there may be for duplication, as far as the policyholder is concerned it is something that does not give him any more protection than he would

have without it? A. As I said at the outset, we consider that the main, indeed practically sole object of insurance supervision is to safeguard policyholders who insure with these companies.

Q. I suppose this involves securing from the companies very detailed reports of what business they are doing and the investments they are making? A. Oh, yes.

We receive, I should say, every possible detail of their business and every dollar of the assets that they own. We have everything in complete detail.

Q. It all has to be checked, and very voluminous reports are prepared for the information of the public, and published at public expense annually? A. Quite so. When you say at public expense, of course you understand that the expense is reimbursed to the dominion by assessment upon the companies.

Q. Yes. Can you briefly describe to the Commission what other duplicating inspection or supervision there is alongside that of your own department? A. I refer to that at the top of page 5 of the memorandum. I do not know whether the pages are the same in the copies you have, but it is under the heading "Duplication by Provinces." As you have stated, dominion licensees, these 404 companies, are with very few exceptions required to obtain licences in the provinces in which they operate. There are fees payable for these licences varying from \$100 to \$300 annually. That of course might be regarded, I suppose, as a form of taxation which, if not obtained through the licensing system, might be obtained in some other manner. Then, as you have also said, all those companies are required, in order to obtain licenses, to file in duplicate the documents

that they have filed with our department. Then, most serious of all, all these companies are required to file statements, in some provinces, in practically the same detail as they are required to file with our department. In some provinces they do accept a modified statement in some abbreviated form. Then perhaps the most unnecessary of all, in some provinces these statements are actually printed in abbreviated form although the statements appear in complete detail in the report issued by this department.

THE CHAIRMAN: Your department issues an annual report which gives in detail the financial statements of all companies.

MR. FINLAYSON: Yes.

THE CHAIRMAN: All companies that are licensed by the federal department?

MR. FINLAYSON: Yes.

BY MR. ST. LAURENT:

Q. And notwithstanding all the details contained in that publication, there are other provincial publications which abbreviate these reports and tabulate them in other forms? A. Yes.

Q. Giving less information than is available in the federal report? A. Yes, less information; and I cannot think it is of any use to any person, because the people who are supposed to avail themselves of it are the people who use the dominion report -- the same people.

Q. In addition to the requirements with respect to reports, I understand that there are also some regulations determining the manner in which all public statements as to assets or investments, circulating in a province, are to be made? A. Yes.

Q. Will you describe that? A. There is a tendency on the part of the provinces to bring their insurance legislation into uniformity, and that of course is to be desired, assuming that that legislation is necessary. But most of the provinces now have in their insurance Acts a provision that any company licensed by the province, which in most cases means a company licensed also by the dominion, must circulate any financial statement in the province in accordance with regulations laid down by the province. Failure to do so constitutes an offence. These provincial statements are, in a number of vital items, different from the statement which these companies submit to the dominion department. Take for instance in the matter of the valuation of securities. This is referred to in the brief submitted by the All-Canada Insurance Federation. The dominion Act requires those companies to include in their statements their securities valued at actual market values of the date of the statement. In some of the provinces there is a regulation which will permit, in fact require those companies to carry their securities at their book values. Now a company, say a British or foreign company licensed by this department, preparing a statement in accordance with the dominion Act and in accordance with what they themselves think is right, show their securities on the basis of actual market values, and in circulating that statement in the province they are guilty of an offence under the provincial Act.

Q. If the market value does not happen to be the same as the book value? A. Yes; and of course, in most cases it is not. So that if these provisions of the provincial Act are enforced, as an attempt is made to enforce them in at least one province, very great

inconvenience results to the companies concerned.

Q. From your experience, what is the valuation which it is in the interests of the public to have? A. The market value.

Q. In the second half of page 6 you describe the futility of filing statements with the provincial departments and you illustrate that with a case. Will you say what that is? A. Perhaps one of the points of controversy between the dominion and the province in the last ten or fifteen years has been on this question of the necessity for special Canadian deposits by British and foreign companies. As I have said, the dominion regards that as the rock on which our supervision is founded in respect of those companies. There have been some outside insurers, mainly from the United States, who have urged strongly that these deposits are unnecessary and, whether necessary or not, that by their constitution they cannot make them. I refer particularly to what is known as the reciprocal organization, reciprocal exchange in corporations, aggregations of individuals and corporations who inter-insure -- one insures the other; in other words, every insurer is also an insured. They do it by giving power of attorney on the uniform form to a power of attorney in fact, authorizing him to exchange, on behalf of subscribers, indemnity. These exchanges, back in 1917 when the insurance act of that year was being formulated, asked to be exempted from this provision for special Canadian deposits. Parliament did not grant that request; it passed an Act providing for the same deposits from these exchanges as from others. They went then to the provincial legislatures and induced most of the legislatures of Canada to pass

legislation purporting to authorize these exchanges to do their business in the province without deposit of any kind, and notwithstanding any prohibition in the dominion Act to the contrary. That difference between the dominion and the province was at the bottom of the reciprocal case in 1924.

THE CHAIRMAN: That was a case that went up from Quebec.

MR. FINLAYSON: No, my Lord, that went from Ontario. What was done was this. Ontario passed legislation such as I have referred to; then, in order to get that before the Privy Council, the promoters of that legislation formed a straw exchange, an exchange organized solely for this purpose. Then action was taken against it under the provisions of the dominion Act and of the Criminal Code prohibiting it from transacting business in the province. On a point of law there was a reference to the Supreme Court of Ontario and thence to the Privy Council. The Privy Council rather frowned upon the dominion legislation in the Criminal Code, but really they reaffirmed what the Privy Council had said in the insurance case in 1916, that the dominion had power to exclude any foreign insurer from Canada without a dominion licence. That was also involved in the Quebec case to which Your Lordship has referred. In our legislation in 1931, following the decision of 1931, arising out of the Quebec reference, Parliament made a concession to these exchanges and to the provincial point of view. The concession was this, that these exchanges would have to maintain deposits here, but these deposits were declared to be for the benefit of policyholders everywhere and not for Canadian

policyholders exclusively. Now you can see right away that this would deprive the Canadian deposit of the very virtue which we think it should possess; that is to say, these deposits must be here available for Canadian policyholders when the need arises. To bear that out we have only to refer to what has happened since 1931. One of the largest of these reciprocal exchanges, which was the mover back in 1918 and which obtained a licence under the Act of 1932, subject to this restriction with respect to deposits to which I have referred, went into liquidation over a year ago in its home state in Missouri -- in Kansas City. It had quite a large business in Canada, and ordinarily we would have used this Canadian deposit, which is quite ample for the purpose of protecting the Canadian policyholder, as we have done in many other cases. But what is the result? The liquidator in Kansas City says, "you cannot touch that deposit; that deposit is there for my policyholders down here as well as your policyholders in Canada, and until we find out down here what all the liabilities of this exchange are, what they amount to, what the value of the assets down here is, and what dividend we are going to pay to our policyholders down here, you can do nothing with your deposit up there." They are still arguing in the Missouri courts as to what court has jurisdiction to wind up that exchange. They have a liquidation order in the state court, but there is one section of the policyholders who say, "This is a federal matter because it is bankruptcy and therefore is under the federal court." They are still fighting over that point. How long it will be before they determine what dividend is going to be paid to the United States policyholders and how much longer it will take to settle

the question whether the Canadian deposit is really subject to that proviso or not, no one can say. In the meantime the Canadian policyholders who have suffered fire losses and want to get their premiums back are waiting.

BY MR. ST. LAURENT:

Q. Were there in fact fire losses that were unsettled at the time of the winding up? Was any substantial amount involved? A. Yes; there are claimants still waiting for their money, although we have here more than double the money that is necessary to settle all these claims.

Q. And in addition to the fire claims there are the premiums? A. Yes, on the cancellation of policies.

Q. And all these matters remain unsettled? A. Yes, and will probably remain unsettled as far as we can see.

Q. You have described on page 7 the efforts made to reduce duplication in administrative work? A. Yes.

Q. You illustrate that by what has been done with respect to the province of Nova Scotia? A. Yes; that is of interest. Back in 1918, after the Halifax explosion, there were a number of very small companies in Halifax, one of them insuring against damage to plate glass. You can readily see what would happen in the Halifax explosion. The provincial authorities approached the dominion to see if they could not have the benefit of the inspection service of the dominion department, and there was passed the Act to which I referred earlier providing that any company incorporated by the province, even confining its business wholly to the province, should have a dominion licence as a condition of operation within the province; and that has continued with 100 per cent of adequacy ever since.

Q. The dominion office acting, in fact, as the sole

registration and inspection office, even for those companies doing business only in Nova Scotia? A. Yes. There are three or four farmers' mutual companies operating in one or two counties of the province. They had to come to the dominion for a licence and they have continued to hold that licence ever since, and we supervise them.

Q. How is the inspection carried out -- by examining the reports in Ottawa? A. In part. You can do a certain amount by examining reports here, but visits to the head offices of companies are essential.

Q. Is the business of the federal office at the present time such that it does require, visits to the important commercial localities? A. Yes. The bulk of the business, as you know, is concentrated in Montreal and Toronto. It is safe to say that 75 or 80 per cent of the volume of business is concentrated in those two cities, so that we have small offices there to provide a place for our examiners to work in. Then there are companies scattered throughout the provinces in Halifax, Quebec, London, Winnipeg, Regina, Edmonton, Vancouver.

Q. It is noted here that:

" the making of similar arrangements with all the provinces of Canada would not involve an addition to the dominion department's expense of more than from five to ten per cent of its present expenditure."

A. That is a conservative statement. I believe, certainly, that by the addition of not more than 10 per cent -- more probably 5 per cent -- to the present expenditures of the dominion department, the supervision

of all insurance in Canada, provincial licensees as well as dominion, could be taken care of.

Q. The present expenditure is \$151,000, as shown at the top of page 9? A. Yes; and the provincial expenditure is \$148,000.

Q. And from 5 to 10 per cent would mean from 5 to 10 per cent on \$151,000? A. Yes.

Q. So that for an additional sum of between \$7,000 and \$15,000 the federal department would be enabled to do the supervising and inspecting of all the companies that are not now supervised and inspected by federal authority? A. That is a fair statement.

Q. Whilst on the other hand, as it is done at the present time, from the best information you can gather from the accounts of the provinces, there is an additional \$148,000 expended? A. Yes. I should qualify that by what I say later on on that page. There is a function exercised by the provinces which is not exercised the dominion; that is to say the licensing of insurance agents. The dominion does not licence insurance agents. It licenses companies, but the provinces do issue licences -- most of the provinces -- to all these agents. Of course, they get a revenue from it ; I suppose they get more revenue than it costs them.

Q. Does this \$148,000, from the best information you have been able to gather from the accounts, include the expenditure made for the purpose of licensing agents?

A. I think it does. That is so now with the exception of the provinces that do not appear there. Nova Scotia and New Brunswick as well as the other provinces license agents, but it is not possible from the public accounts

to extract the expenditures of that administration.

Q. So that arrangement with Nova Scotia has not prevented that province from having a licensing department for insurance agents? A. No; that is because we do not perform that function.

(The Commission adjourned at 4.30 p.m.,
until 10.30 a.m., Wednesday, January 26, 1938.)

ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

REPORT OF HEARINGS

Vol. 4, Pt. 2

REPORTERS:

George Thompson
John Robertson
David Torry



OTTAWA, ONTARIO, JANUARY 26, 1938

LIST OF REPRESENTATIONS BY THE DOMINION
GOVERNMENT

Page

E. H. COLEMAN, K.C.,
W. P. J. O'MEARA, K.C., 3439 - 3472

G. D. FINLAYSON,
R. W. WARWICK, 3472 - 3505

W. A. FOUND, 3505 - 3521

C. FRASER ELLIOTT, K.C., 3522 - 3575

OTTAWA, ONTARIO, JANUARY 26, 1938

LIST OF EXHIBITS

	<u>Page</u>
Exhibit 119: Memorandum of the Department of the Secretary of State, Companies' Branch	3472
Exhibit 120: Memorandum from Deputy Minister of Fisheries	3520
Exhibit 121: Coloured map of Canada, showing income tax districts	3525
Exhibit 122: Chart of the Organization	3526
Exhibit 123: Book of Charts	3537
Exhibit 124: Statistical Information	3537

OTTAWA, ONTARIO, JANUARY 26, 1938.

TOPICAL INDEX

	<u>Page.</u>
<u>COLEMAN, E.H., K.C.</u> (Under Secretary of State)	
Departmental Functions	3439
Dominion statutes administered by the department	3439
Canada Temperance Act	3440
Trade Unions Act	3440
Companies Act	3441
Judicial decisions respecting provincial and dominion jurisdiction in company legislation	3441
THE CHAIRMAN: Privy Council decision in Alberta case	3441
Security sales regulations	3441 3442
THE CHAIRMAN: Use of mails in soliciting subscriptions for securities	3442
Provincial Securities Boards	3442
Dominion Companies Act - prospectus requirements	3443
Companies engaged in provincial and inter-provincial trade	3443
Dominion-Provincial Conference, 1935 resolution setting up committee to draft uniform Companies Act.	3444
Central Information bureau at Ottawa	3444
Principal object of a uniform Companies Act	3445

COLEMAN, E.H., K.C. (CONT'D.)

Other objects of uniform Companies legislation	3445
THE CHAIRMAN: Expense and incon- venience entailed in returns	3445
Subcommittee studying forms and returns	3445
Present division of jurisdiction	3445 3446
Methods of Incorporation	3446 3447
Company Prospectus requirements dealt with by subcommittee	3447
Dominion Companies Act, 1934; basis of sub- committee's discussions on capitalization, returns and financial statements	3447
ST. LAURENT, LOUIS S.: Examination of Mr. Coleman	3447
Fees and procedure with respect to applications for naturalization	3448
Federal and provincial administration of Company law	3449
Uniform returns	3449
Dominion representatives on subcommittee on uniformity	3450
Administration of corporations in Northwest Territories	3450
Central Bureau for exchanging information respecting applications for incorporation	3451
Reduction of adminis- tration expenses	3452
Definition desirable of "doing business" in a province	3452

COLEMAN, E.H., K.C. (CONT'D.)

COMMISSIONER MACKAY:

Cost of present system
of divided jurisdiction 3467

Incorporation and
regulation of companies
as a federal matter 3467

Feasibility of contin-
uing present system of
provincial administrat-
ion under federal
supervision 3468

ST. LAURENT, LOUIS S.: A master report
satisfactory to
both dominion and
provinces 3469

O'MEARA, W.P.J., K.C. (Assistant Under
Secretary of State)

Revenues and expend-
itures of the Company
Branch 3470-
3471

THE CHAIRMAN:

Effect of the new
Dominion Companies
Act on companies
applying for Dominion
incorporation 3471

FINLAYSON, G.D., Esq. (Superintendent
of Insurance)

ST. LAURENT, LOUIS S.: Examination of
Mr. Finlayson.

Distribution of assess-
ment against insurance,
loan and trust companies 3472-
3473

Provincial assess-
ment of insurance
companies 3473

1937 Insurance Act in
New Brunswick 3473
3474

THE CHAIRMAN:

Requirement of
license fees in
provinces sufficient
to pay cost of
administration 3474

Form of insurance act
in New Brunswick prior to
1937 Act 3475

FINLAYSON, G.D. (CONT'D.)

COMMISSIONER MCKAY:
Provincial departments
for administration of
insurance

3475

ST. LAURENT, LOUIS S.: Continuing examination of Mr. Findlayson

Filing of returns by
British and foreign
companies under New
Brunswick Act

3476

Exemption of companies
from filing returns

3476

Provisions in other
provinces similar to
New Brunswick Act

3476

THE CHAIRMAN:
Provision of inspection as to financial standing, etc., under New Brunswick Act

3476
3477

Requirement of deposits
by provinces

3478

Duplication of
inspection of trust
and loan companies

3478

ST. LAURENT, LOUIS S. Continuing examination of Mr. Finlayson

Requirement of
deposits from loan
and trust companies

3478
3479

Cost of inspection
of loan and trust
companies in the
provinces

3479

Cost to insurance
companies in making
provincial returns

3480

Clerical work involved
in the making of
returns

3480

Licensing of insurance
agents

3480-
3482

Dominion Fire
Prevention Association

3482-
3484

Taxation of insurance
companies and insurance
business

3484

FINLAYSON, G. D. (CONT'D.)

Taxation of insurance premiums	3485- 3486
COMMISSIONER ANGUS: Taxation of life insurance premiums as a substitute for income tax in provinces	3486
Difficulty in applying provincial income tax to life insurance companies	3488
Premium tax as the most practical method of taxation	3488
COMMISSIONER ANGUS: Most convenient method of collecting premium tax	3489
Collection of premium tax by dominion machinery	3495
Consideration of the brief submitted by Canadian Life Insurance Officers' Association	3496
THE CHAIRMAN: Bulk of insurance policyholders in Canada people of limited means	3496
Very substantial part of savings of Canadian people represented by insurance policies	3497
Amount of industrial insurance in Canada	3497
Average insurance carried by Canadian policyholder	3497
Licensing of insurance companies in Nova Scotia and New Brunswick	3498 3499
THE CHAIRMAN: Licensing of insurance agents; legislation re insurance contracts	3499

FINLAYSON, G.D. (CONT'D.)

Quebec Civil Code in relation to contracts for insurance	3500
COMMISSIONER ANGUS: Administration by federal government of insurance with the exception of insurance contracts and licensing of agents	3501
Necessity of provincial insurance departments	3502
Supervision of small provincial insurance companies by the dominion government	3502
Status of London Lloyds in Canada	3503 3504
COMMISSIONER ANGUS: Marine Insurance	3504
Lloyds in Nova Scotia	3505
<u>FOUND, W.A. (Deputy Minister of Fisheries)</u>	
Intention of the B.N.A. Act that fisheries should be under federal administration	3505
Provincial administrat- ion of fisheries in non-tidal waters	3506
Divided jurisdiction of fisheries	3507
THE CHAIRMAN: Administration of fisheries in Manitoba	3507 3508
Federal regulation of fisheries resorting to non-tidal waters for reproduction	3508
THE CHAIRMAN: Regulation of fisher- ies in Maritime provinces	3508
Administration of sport fisheries in New Bruns- wick	3509

FOUND, W.A., Esq. (CONT'D.)

COMMISSIONER DAFOE: Variations in regulations of different provinces	3509
COMMISSIONER ANGUS: Concurrence of dominion and provincial authority in fisheries	3509
Decision of the Exchequer in connection with leasing of salmon angling privileges in non-tidal waters	3510
THE CHAIRMAN: Dominion regulation and administration of provincially owned fisheries.	
1920 decision of Privy Council in regard to public rights of fishery in Quebec	3512
COMMISSIONER SIROIS: Working agreement between federal government and province of Quebec	3512
Regulatory work of Department of Fisheries in Quebec	3513
Activity of Biological Board in Quebec	3514
Establishment of laboratories	3514
Administration of Meat and Canned Foods Act	3515
Deep Sea Fisheries Act	3515
Expenditures by Department of Fisheries for promotion of sales	3516
COMMISSIONER MACKAY: Competition between dominion and provinces in selling of fish	3517
THE CHAIRMAN: Length of time the department of Fisheries has been engaged in prom- otion of fish sales	3517

FOUND, W.A., ESQ. (CONT'D.)

THE CHAIRMAN: Appropriation for the administration of the Department of Fisheries	3518
Fisheries Protection Service	3520 3521
<u>ELLIOTT, C. FRASER, K.C.</u> (Commissioner of Income Tax)	
THE CHAIRMAN: Question of overlapping in taxation and the gen- eral question of taxation	3522
Division of Canada into eighteen districts for the collection of income tax	3523- 3525
THE CHAIRMAN: Northern Ontario mining district	3525
Employees of the Income Tax Depart- ment	3525
THE CHAIRMAN: Reduction in cost of income tax collection	3527
Introduction of Ownership Certific- ates	3527
Assumption of Ontario income tax collection by the dominion	3527
Percentage of income tax accounts collect- ed	3528
Chief sources of income tax	3529
Number taxable companies	3530
Tax Roll	3530
Income tax collec- tion in the Yukon	3532 3533
COMMISSIONER ANGUS: Control certificates	3533



FRASER, C. FRASER, K.C. (CONT'D.)

Information forms; salaries statement	3533 3534
--	--------------

Dividend Statement	3535
--------------------	------

Ownership Certificates	3535 3536
------------------------	--------------

Income tax collections from individuals	3538
--	------

THE CHAIRMAN: Income tax collections in 1936-1937	3539
---	------

High individual income tax collected in 1922	3540
---	------

Agrarian income tax	3541
---------------------	------

THE CHAIRMAN: Income tax collected prior to 1922 from agrarians	3541
--	------

Income tax exemptions	3542
-----------------------	------

THE CHAIRMAN: Average salaries in occupational groups	3542
--	------

Average tax paid by employees	3557
----------------------------------	------

Income tax collections from corporations in the provinces	3558
---	------

Incidence of income tax on people of Canada	3558 3559
--	--------------

Incidence of income tax on corporations	3559
--	------

Discussion of chart showing national wealth and tax collected per capita of population	3560
---	------

THE CHAIRMAN: Income tax collected in Ontario and Quebec greater than provincial wealth	3561
---	------

COMMISSIONER ANGUS: Income earned by a corporation situated in one province, but with head office in another province	3562 3563
--	--------------

ELLIOTT, C. FRATER, K.C. (CONT'D.)

MR. STEWART:	Examination of Mr. Elliott	3564
	Decline in income in higher salary brackets	3566
COMMISSIONER ANGUS:		
Non-reduction in salary group of \$2,000 to \$3,000.		3566 3567
	Discussion of chart showing individual incomes by occupation- al groups	3567
	Family corporations	3568
	Incomes in Ontario and Quebec	3569
	Breakdown of figures for 1934-35	3570
THE CHAIRMAN:		
Income for transport- ation and public utilities in Ontario and Quebec		3571
Comparative incomes for natural resources in Ontario and Quebec		3571 3572
	Paper companies	3572
	Businesses owned and operated by sole proprietors	3573
	Amount of bonded interest paid by assessable corpor- ations	3573
	Bonded interest charged by non- assessable corpor- ations	3573
QUESTIONS BY MR. STEWART:		
	Non-assessable companies	3574
	Earnings of public utility corporations	3575

ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

OTTAWA, ONTARIO, JANUARY 26, 1938

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Parliament Buildings, Ottawa, Ontario, on Wednesday, January 26, 1938, at 10.30 a.m.

PRESENT:

HON. CHIEF JUSTICE NEWTON W. ROWELL CHAIRMAN

DR. JOSEPH SIROIS	}	Commissioners
JOHN W. DAFOE, Esq.		
DR. ROBERT ALEXANDER MacKAY		
PROFESSOR HENRY FORBES ANGUS		

Commission Counsel:

Louis S. St. Laurent, Esq., K.C.

James McGregor Stewart, Esq., K.C.

Secretariat:

Alex. Skelton, Esq.	Secretary
Adjutor Savard, Esq.	Secrétaire Français
R.M. Fowler, Esq.	Legal Secretary
Wilfrid Eggleston, Esq.	Assistant to the Secretary

FOR THE DOMINION GOVERNMENT:

E.H. Coleman, K.C.	Under Secretary of State
W.P.J. O'Meara, K.C.	Assistant Under Secretary of State
G.D. Finlayson, Esq.	Superintendent of Insurance
R.W. Warlick, Esq.	Department of Insurance
C. Fraser Elliott, K.C.	Income Tax Commissioner
Alex Gray, Esq.	Income Tax Branch
R.G. Gilham, Esq.	Income Tax Branch
W.A. Found, Esq.	Deputy Minister of Fisheries

Railway Committee Room,
House of Commons,
Parliament Buildings,
Ottawa, Ontario,
January 26, 1938.

MORNING SESSION

The Commission met at 10.30 a.m.

MR. ST. LAURENT: Mr. Chairman, Mr. Finlayson, has not come in yet, but as Mr. Coleman is here, he might speak on the administration of his department, if that is agreeable.

THE CHAIRMAN: That is quite all right.

MR. E. H. COLEMAN, Under Secretary of State, was called.

MR. E. H. COLEMAN: Mr. Chairman and gentlemen, I have not prepared anything in the nature of a Brief, but I have jotted down a few notes which I thought I might read, and elaborate upon them if I am required to do so.

There are some twenty-nine or thirty statutes of the Dominion of Canada which confer power and impose duties upon the Secretary of State and the officers of his department.

These statutes cover a very wide range of subjects such as companies, patents, trade marks, design marks, timber marking, copyright, naturalization, translation, tickets of leave, boards of trade, and petitions of right.

I think, however, there are probably only three which touch matters in respect of which there also exists provincial legislation. These three are (1) The Canada Temperance Act, Revised Statutes of Canada, 1927, chapter 196; (2) Trade Unions Act, Revised Statutes of Canada, 1927, chapter 202; (3) The Companies Act, Statutes of Canada, 1934, chapter 33, and the Amending Act of 1935, chapter 55.

I do not think it is probably necessary to discuss the Canada Temperance Act. It is now in force in a comparatively small number of municipalities throughout Canada, and it really presents no administrative problem. There is an annual appropriation of some \$5,000.00, but it is very rarely that any part of this amount is spent.

The appropriation is made to provide funds in the event of a request being made for a referendum or plebiscite, in accordance with the Act.

The Trade Unions Act, I think perhaps may be more conveniently considered when the Commission is dealing with Labour legislation in general and when the representatives of the Department of Labour are present. The duties of the Secretary of State in that respect are really the registration of the constitution of trade unions which choose to register under the Trade Unions Act.

THE CHAIRMAN: Does your department exercise any discretion as to the terms of incorporation?

MR. COLEMAN: Not other than this: The statute provides that none of the purposes as set out in the constitution may be unlawful. That is, if an application should be presented containing a term that the members of the union would not obey the law relating to the conciliation of labour disputes and the like, or would not recognize the authority of the Dominion Conciliation officers, we would regard that as indicating that its purposes were unlawful, and would refuse registration.

THE CHAIRMAN: You examine the application primarily to see whether there is anything in it asking powers or conferring obligations that are contrary to law?

MR. COLEMAN: Contrary to law; only that, sir.

The important statute, for the purposes of the Commission, is, I think, the Companies Act. Head No. 11 of section 92 of the British North America Act confers on the provincial legislatures the power exclusively to make laws in relation to the incorporation of companies with provincial objects. The members of the Commission know that there is no corresponding head in section 91, and the jurisdiction of the Dominion parliament to legislate in relation to the incorporation of companies is based upon the residuary powers confided to the Dominion. I do not think it will be either necessary or profitable that I should review the judicial decisions which have dealt with the jurisdiction of the Dominion and of the provinces in respect not only to incorporation but to the regulation of the affairs and business of companies. I think it is generally agreed that while the provinces cannot legislate in such a way as to render ineffective the corporate powers of a Dominion company, they can compel Dominion companies to comply with laws of general application in the province; for example, in respect to licenses to carry on business, licenses in mortmain, and the like.

THE CHAIRMAN: I think in that Alberta case that went to the Privy Council the question of a license to sell securities was involved, was it not?

MR. COLEMAN: I am coming to that in a moment. For years after the provinces set up security boards to regulate the sale by companies of their securities in the province there was controversy as to whether the provincial statutes could extend to the sale of the securities of a Dominion company. While it seems reasonably clear that the province cannot in express terms oblige

a Dominion company before offering its shares for sale to comply with the requirements of provincial statutes, the provinces have been held to have the right to regulate the licensing of brokers and salesmen in the province. I think that is the point you have in mind. The result has been that before brokers and salesmen are licensed to sell particular securities, the provincial security boards have obliged them to disclose information relating to the securities which they propose to sell. In this perhaps indirect method the provinces have obtained a large and effective measure of control of the sale of corporation securities within their boundaries.

THE CHAIRMAN: Is the present law as you understand it, Mr. Coleman, that a Dominion company could sell securities in any part of Canada, using the mails as the medium for soliciting subscriptions, assuming that they have complied with the federal law?

MR. COLEMAN: I think you will find that the provincial statutes prohibit sales except through a properly licensed broker or salesman.

THE CHAIRMAN: Oh yes, I see.

MR. COLEMAN: They have effectually stopped that loophole.

Each of the provinces has a branch of the provincial service dealing with the incorporation of companies--in Ontario, for example, it is the provincial secretary--and also a branch which administers the statutes relating to the sale of securities. In the more populous provinces, Ontario and Quebec, the work of the Securities Board requires a considerable staff, more in Ontario than in Quebec. In some of the other provinces, the officer who administers the Securities Act combines that duty with

other services. I think that is the case in Saskatchewan Nova Scotia, New Brunswick, and some of the other provinces.

There is no Dominion Securities Act, and therefore no branch of the Dominion public service deals with the regulation of the sale of securities to the public by Dominion companies. The Dominion Companies Act, however, contains stringent provisions requiring full disclosure by way of a prospectus filed in the Department of the Secretary of State before an offering of securities may be made to the public.

The practice, in recent years at least, has been that the Department of the Secretary of State discourages incorporation, under the Dominion Companies Act, of companies whose sphere of operation appears to be merely local. If it seems apparent, from the application, that the company intends to operate within the limits of one province, our practice is to suggest to the applicants that it seems more appropriate that they should ask for incorporation in that province. Companies which intend to engage in interprovincial trade, however, find it more convenient to take a Dominion charter, obtaining provincial licenses where necessary. As you will understand, sir, it is sometimes difficult to determine from the application whether the operations are going to be purely local. For example, we have a situation which arises in this very City of Ottawa. The applicants desire incorporation for the purposes, we will say, of conducting a steam laundry. They say they want a Dominion charter because they will probably have branches or receiving stations in Hull, which happens to be in the province of Quebec.

At the last Dominion-Provincial Conference, in December, 1935, the Secretary of State was asked by a resolution unanimously adopted, to set up a Committee consisting of representatives of the Dominion and the provinces, to draft a uniform Companies Act which might be adopted by the Dominion Parliament and the provincial legislatures.

This Committee was organized in 1936, and has held two interesting sittings at Ottawa, one of five days' duration in November, 1936, the other of the same length in November, 1937. Sub-committees have been studying certain phases of the subject and the work is still proceeding.

One result of the first meeting of the Committee was the convening of a meeting of the Securities Commissioners of the several provinces in March, 1937, when substantial progress was made in working out a greater measure of uniformity in the administration of the Securities Acts. It is hoped that it may be possible to arrange for a central bureau at Ottawa which may facilitate exchange of information between the Securities Commissioners. One of the objects is to ensure that when a proposed issue of securities has been investigated carefully by one Securities Commissioner, his certificate will be accepted, in all ordinary cases, by the Commissioners in the other provinces, thus avoiding several different investigations and eliminating both expense and delay.

THE CHAIRMAN: You are hopeful that as a result of the conferences already held, that result will be achieved?

MR. COLEMAN: We are hopeful that we can arrive at that result, and I think we can.

One of the principal objects of a uniform Companies Act is to ensure that a certain type of promoter will not examine the Acts of the Dominion and of the nine provinces to find one which may appear to him to offer greater facilities for a doubtful enterprise.

Another object is to provide for a greater degree of uniformity in Company returns, so that a Company which carries on business in several provinces may not find itself obliged to prepare a multitude of forms and returns which, while requiring substantially the same information, may vary in detail, with consequent expense and inconvenience.

THE CHAIRMAN: That is one of the difficulties that has been pointed out to us in the hearings, the trouble and expense that companies are put to by reason of the differences in the form of returns that are required by different jurisdictions.

MR. COLEMAN: Yes, we have a sub-committee engaged in studying that problem, and we are hopeful it may be possible to reach an agreement on it. For example, take the ordinary company returns under our Act. They require information to be disclosed as to the 31st of March, while in some other jurisdiction it may be the end of the calendar year. While the information required is substantially the same, there are differences which require the preparation of the form in a different type and style.

The Commission will observe that the efforts of the Committee are postulated upon the existence of the present division of jurisdictions. That is, we are endeavouring to work within the framework of the law as we understand it at present. I am very happy to say that

in all the deliberations in the work of the Committee we have been, up to the present, unanimous in our conclusions and recommendations on every point which has arisen and I am very hopeful that that happy atmosphere may continue. The work is long and involved and difficult, and there will naturally be changes of personnel in the Committee from time to time by reason of various appointments, but up to the present we are very hopeful of arriving to a very satisfactory solution of our problems.

COMMISSIONER MacKAY: That includes every province, does it, Mr. Coleman?

MR. COLEMAN: The province of British Columbia was unable to send a representative to the meetings in November of 1936 and 1937. That was, I think, not due to any lukewarmness in respect of the work of the Committee, but to peculiar circumstances. A year ago a change took place in their government service at the very date of the meeting of the Committee, and last year their legislature was called in session at the time the meeting was sitting, and their senior officers found it difficult to leave. The Securities Commissioner in British Columbia, however, attended the meeting of the Securities Commissioners in Toronto last March--the meeting to which I have already referred.

When I mention a uniform Companies Act, perhaps I should say that we do not expect literal unanimity on every section and term of the Act.

There is first the method of incorporation. As the members of the Commission know, four provinces, British Columbia, Alberta, Saskatchewan, and Nova Scotia, have the Articles of Association method of incorporation, which is also the method in the United Kingdom, while

the Dominion and the other five provinces have the Letters Patent system. I think it very unlikely that we could persuade the representatives of the five provinces which have the Letters Patent system to abandon it. I also think it is very doubtful if we could persuade the representatives of the other four provinces to abandon their method. But we do feel that in respect of regulation, returns, capitalization and the like, we can probably arrive at substantial agreement and even perhaps in those cases literal unanimity in terms.

At the first meeting of the Committee we dealt in detail with the question of the prospectus, using as the basis of discussion the prospectus section of the Dominion Act of 1934. That in turn had been based to some extent on the prospectus section of the English Act of 1929.

Last year at our meeting we dealt with the general subject of capitalization, the classes of shares which might be authorized, and the types of capital structure which might be permitted, and also with the returns, the financial statements submitted to shareholders. We took as the basis of our discussion the terms of the Dominion statute of 1934. The Dominion Act of 1934 is the most recent Companies Act in Canada, and up to the present it has been the basis of our discussion. That I think is the only branch of the work of our department which might appear at first glance to conflict with the activities carried on by any of the provinces.

THE CHAIRMAN: Have you any questions, Mr. St. Laurent?

BY MR. ST. LAURENT:

Q. I notice, Mr. Coleman, that your department also

has to apply the Naturalization Act? A. Yes.

Q. Does not the procedure for naturalization require administrative work both by provincial and federal officers?

A. Yes, I probably omitted to mention that. The procedure in respect to naturalization is this, that the work is carried on by the clerks of the courts, who are, of course, provincial officers, and by the judges, who are, of course, appointed and paid by the Dominion. The clerks of the courts are remunerated in this way: If there are under 400 applications filed with him each year, he is allowed all the fees by way of remuneration. In the ordinary court there are only two or three in a year, which gives him ten or fifteen dollars a year. In the large cities like Montreal, Toronto, Vancouver, Winnipeg and a few other places, the number of naturalization applications frequently exceeds 400 a year. In those cases the provision of the order in council is that the clerk receives the fees on the first 400 applications, and the Governor in Council has the power to supplement that by additional allowances if the number of applications greatly exceeds that. It is not probably a very satisfactory method of remuneration. We report to the provincial governments; they have their own arrangements with the clerks. Some of them are remunerated on a straight salary basis and are obliged to turn over to the province any additional amounts they receive. Others are paid on a fee basis.

Q. I have heard it suggested that the amount of the fee was quite insufficient in proportion to the amount of administrative work required in considering the application. Probably the fixing of that and facilitating the approach to naturalization may be a matter of policy?

A. I think it is.

Q. So that receipts may be made to cover the expenditure required. From your experience with the administration of corporate affairs, would you care to express any opinion as to whether or not there is a field for both federal and provincial administration?

A. I am not prepared to take the position that the whole subject of company law should be confided to the Dominion. I think there is a field for local incorporation. I do not think there is any reason why a few citizens in a town who desire to form a company to build skating rink should be obliged to obtain a Dominion charter, or why a merchant who has a profitable retail store and wishes to incorporate in order to facilitate the winding up of his estate and the carrying on of his business after his death should be obliged to have a Dominion charter. In respect to the securities field, I am also free to say that I think there is a great advantage in having that administered by people who have local knowledge rather than probably by a central board. That is my personal view, Mr. St. Laurent, but I do think a great deal might be done to lessen the inconvenience and expense to companies in respect of licensing, and the preparation and filing of returns.

Q. Have you found that those attending these conferences you mentioned were fully alive to the inconveniences that do exist and were seriously considering the possibility of eliminating them. A. Yes.

Q. With respect to the filing of returns, has there been substantial progress made towards a uniform form?

A. That is under examination by a subcommittee, which has made a progress report but has not yet submitted its final report.

Q. The matter is still being investigated? A. Yes.

Q. And forms compared to see how they overlap?

A. I should explain that the Dominion representatives on this committee are our Mr. O'Meara who is in active charge of the administration of the Companies Act, and myself representing the department of the Secretary of State, a representative of the Department of Finance, a representative of the Department of Mines and Resources, and a representative of the Department of Justice. The representative of the Mines and Resources has an interest in the question, which might not be apparent on the face of it, not only in relation to the mining industry, but that department also administers the Northwest Territories, and they had a Companies ordinance in the Northwest Territories which was repealed, I think, a year and a half ago.

Q. So that with respect to that part, that official has to deal with a situation similar to that in each province? A. Exactly.

Q. He is in direct control of the administration?

A. Yes, and in the development of the Northwest Territories a situation may arise which would require careful attention.

Q. Progress is being made, you say towards the goal of establishing a national bureau where all the information with respect to securities would be available to all concerned? A. That has been proposed, and while the government has not yet taken any official action on the matter I am inclined to think it is being very favourably considered. It would not at any rate involve any very great expense. May I venture to indicate by an illustration one purpose that it would serve? A. About two ago application was made

to the department of the Secretary of State for Supplementary Letters Patent increasing the capital stock of a certain mining company. The application was in the regular form, was carefully examined in the usual way, and was about to be granted when Mr. O'Meara and I, looking at the morning paper, discovered that this company had been under investigation by the Securities Commissioner in the province of Ontario, and there was the suggestion of grave irregularities. By reason of the knowledge which was derived from the morning newspaper, the Supplementary Letters Patent were withheld. There is always the possibility that the Commissioner in one province is engaged in investigating a company and that the Commissioners in the other provinces have no knowledge that his investigation is under way, and they may pass favourably upon an application which otherwise they would have refused if they had known what was going on elsewhere. We felt that if there was a central bureau to which the Commissioner could send reports weekly or periodically that such-and-such a company was being investigated or that such-and-such a man had applied for a license and had been refused, the other Commissioners would be on their guard in case of an application being made and could inquire into all the circumstances. It would also be very useful to the Dominion.

Q. You think that having this information available would be in the interest of the public and helpful in the administration of company affairs? A. I do.

Q. You have told us that in these Conferences the possibility of eliminating features inconvenient to the public is being seriously considered? A. Yes.

Q. Has the Conference also been giving attention to the possibility of eliminating expense both to the public and in matters of administration? A. Yes, but as you will understand, Mr. St. Laurent, the provinces derive a considerable revenue from the licensing of companies, and I do not think the administrative officers who are dealing with that are authorized to suggest what steps should be taken towards the reduction of provincial revenues and taxation.

Q. No, of course not. A. That really concerns the fiscal policy of the province.

Q. And the fiscal policy of the province cannot be dealt with by a Conference of these officials?

A. No.

Q. But the elimination of items of administration that could be provided for elsewhere, that is being considered? A. Oh, yes.

Q. And is it your view that everything that seems practical at the moment is being done to improve the situation? A. I think so.

COMMISSIONER ANGUS: Is it also your view that everything that is desirable can readily be done without any reallocation of powers under the British North America Act?

MR. COLEMAN: Yes. I think it might be desirable if some definition could be worked out for "doing business in a province." I think there has been some difficulty in that respect. If the provinces could agree—

BY MR. ST. LAURENT:

Q. Perhaps that could be done if your committee that is considering uniform company legislation could agree on some formula as to what "doing business" involved. A. We might attempt to do it, but I can give no undertaking that we would succeed.

(Page 3467 follows)

Q. In any event, the attempt has been made as far as the committee has deemed it practical to go, without obtaining the assent of those in charge of the fiscal policies of the province. A. Yes, I think so.

COMMISSIONER MACKAY: Do you think the present system of divided jurisdiction is about as inexpensive a system as can be worked out?

MR. COLEMAN: You mean, from the point of view of administration?

COMMISSIONER MACKAY: Yes.

MR. COLEMAN: It occurred to me, for purposes of illustration, if the question of incorporation of regulation of companies is going to be a federal matter, it will be necessary for the department of the dominion government, which administered the Companies' Act to set up local administrative centres. It might not be necessary to have one in each of the nine provincial capitals; but I believe you would obviously have to have one in the Maritime Provinces, one in the province of Quebec --- speaking purely from a business point of view it might appear better to have one in Montreal rather than Quebec, because Montreal is a larger business centres --- one in Toronto and one on the prairies. I believe you would have to have one in British Columbia as well too.

From the point of view of administrative expense you would probably have to pay as much to maintain the agencies as the provinces are now paying for their company branches.

In most of the provinces the Deputy Provincial Secretary or Deputy Attorney-General is the officer in charge of the administration of the Companies Branch, and almost invariable he combines the supervision of the branch with many other duties.

If we were to name a local representative in Vancouver or Montreal I do not think there could be any other duty assigned to him. We would have to pay his salary and provide him with adequate staff. From the point of view of administrative^{saving}/it would probably not be very large.

COMMISSIONER MACKAY: Would there be much possibility of continuing the present system of provincial administration under federal supervision as is done in the administration of the Criminal Law through the provincial Attorney General's Department or would that be feasible ?

MR. COLEMAN: I don't think that would really be feasible. I think it would lead to probably more difficulty than we have now. The administration of the Companies' Act, the examination of applications, is not an easy task as my friend Mr. O'Meara will tell you and while Parliament by the statute lays down certain broad principles, the infinite variety of combinations which appear in applications is such that I am afraid you would hardly get a group of eight or ten men who would be certain to view an application in exactly the same way.

COMMISSIONER MACKAY: When you gave examples of companies that should obviously be allowed to incorporate locally, small businesses incorporating and so on, was there a suggestion that larger undertakings, even if their business is to be entirely within the provinces, ought to perhaps incorporate under the Dominion law?

MR. COLEMAN: No, I did not intend to make that suggestion. I only intended to say that I thought there was a field for local companies.

COMMISSIONER MACKAY: You do not think the words "provincial objects" should be made narrower?

MR. COLEMAN: No.

BY MR. ST. LAURENT:

Q. Is it possible to give the Commission any information on how early a report might be expected from these conferences? A. I am afraid it would not be possible Mr. St. Laurent. But I might state that at the last meeting in November we felt we had progressed sufficiently far to entrust to one of our members the preparation of a draft bill and he has promised, if his duties will permit, to have it ready for us in a little after mid-summer. I might say that he is a provincial official, so it indicates there is no attempt to overlook the provincial point of view.

Q. Can you indicate in any way what progress has been made towards getting a sort of master return or report that might be satisfactory to both the dominion and the provinces? A. Unfortunately at our last meeting we took such an amount of time in the discussion of the reports relating to returns to shareholders on capitalization that we made very little progress in that, but one member of the committee who had prepared the report undertook to review it again in company with two or three others. I think it would come up in our next fall meeting of the committee, probably in the early autumn of 1938. I do not think we can do it before that.

MR. ST. LAURENT: That is all.

THE CHAIRMAN: Thank you, Mr. Coleman.

MR. COLEMAN: Mr. O'Meara is present. He could give the commission, if it would be of any advantage, the figures of the revenue which the dominion has derived in the last ten years and the expense of our Companies' Branch.

THE CHAIRMAN: Perhaps we might just have a statement of those two figures, the revenues and the expenses. It would be convenient to have it, Mr. O'Meara.

MR. W.P.J. O'MEARA: Mr. Chairman, I find, ~~is~~ it is not surprising, there had been a consistent uptrend for the years preceding 1929, following which there was a very significant down-trend in our revenue, but in the last three years that trend has again become upward.

THE CHAIRMAN: You are like most people.

MR. O'MEARA: We sometimes think that our revenue is a fair barometer of conditions. I take it, sir, you do not want any more than round numbers, the exact figures can be incorporated in the record.

THE CHAIRMAN: Yes.

MR. O'MEARA: In the fiscal year 1927-28 the revenue from the administration of the Companies Act was \$635,554.56. The total expenses, including salaries and other matters, \$40,899.18. The following year the revenue was \$710,940.48 as against an expenditure \$36,375.90; the following year a revenue of \$650,616.30, an expenditure of \$43,763.59; the next year \$389,527.00 of revenue, \$51,700.35 of expenditure; 1931-32, the next year, \$264,535.47 revenue, \$49,518.37 expenditure.

THE CHAIRMAN: Your revenue is going down.

MR. O'MEARA: Revenue is going down for another year, sir.

THE CHAIRMAN: How about your expenditures?

MR. O'MEARA: The expenditures necessarily show fairly constant figures because even during the lean period it was not feasible to decrease the staff.

It is a curious thing to note that during the years our revenue was at its lowest ^{was probably at its} our/staff busiest.

There were more companies in default of filing returns; there were more companies proceeding by way of very complicated attempts of reorganization, and the detailed scrutiny involved by the members of the staff was really at its peak.

1932-33 revenue, \$198,643.25; expenditure \$46,165.24.
 1933-34 revenue, \$210,972.98; expenditure \$43,625.36.
 1934-35 revenue \$196,779.37; expenditure \$44,874.81.
 1935-36 revenue \$166,406.74; expenditure \$44,221.86.
 1936-37 revenue \$239,197.10; expenditure \$45,653.76.
 And for the first eight months of the current fiscal year our revenue was \$151,079.10, expenses \$44,302.39. That indicates that if the same ratio is preserved there will be a slight increase over the last fiscal year.

THE CHAIRMAN: When the new Dominion Companies Act was passed, which as I recall it was somewhat more stringent in its terms than the former dominion Company legislation, did that have any appreciable effect on the number of companies applying for dominion incorporation.

MR. O'MEARA: I think, sir, there was some slight decrease but not as significant a decrease as I personally had anticipated, and the view had been expressed in parliament that there would probably be a very significant drop. There was not, I think, a very pronounced decrease. It was apparent that the reluctance to submit to the more stringent provisions was to some extent neutralized by a feeling that companies which had submitted to those stringent regulations would acquire an additional prestige in the eyes of the investing public. It seems to have worked out to some extent in that way.

THE CHAIRMAN: Is there any tendency disclosed in the returns, dominion and provincial respectively, towards an increasing number of dominion as compared with provincial incorporations, or the reverse?

MR. O'MEARA: I had not remarked any pronounced tendency in either direction, sir.

THE CHAIRMAN: Thank you.

MR. ST. LAURENT: That will be filed as an exhibit, will it, Mr. Chairman?

THE CHAIRMAN: Yes, Exhibit 119.

EXHIBIT 119: Memorandum of the
Department of the
Secretary of State
Companies Branch,
showing revenue
and expenditure.

THE CHAIRMAN: We are very much obliged to you, Mr. Coleman, and Mr. O'Meara, for giving us this information.

I understand that Mr. Finlayson is to be recalled.

MR. G.D. FINLAYSON and MR. R.W. WARWICK, recalled.
and examined.

MR. FINLAYSON: I must apologize first for being a few minutes late this morning. I hope it has not inconvenienced the commission.

THE CHAIRMAN: You very seldom are late, Mr. Finlayson.

BY MR. ST. LAURENT:

Q. I think Mr. Finlayson, you had stated just before the commission adjourned last night that the amount expended by your department for the year ending March 31st., 1936, was \$151,000? A. Yes.

Q. You had not stated how that was distributed as between the insurance companies, the loan companies, and the trust companies? A. The great bulk, of course, is assessed against the insurance companies, \$144,600.00, against loan companies just over \$4,000 and against trust companies \$2,360.

Q. Is the amount of \$148,000 that is given for the

expenditure of seven of the nine provinces the amount that is levied against the insurance companies? Or is it taken from the public accounts as being the general expenditure in connection with insurance matters?

A. Of course for the greater part that amount of provincial expenditures is not assessed against the companies.

Q. For the greater part it is not assessed?

A. For the greater part it is not. The only province I have in mind now which does assess against the companies is the province of Quebec, which assesses against the companies for a proportion of its expenditure. The province of New Brunswick which passed its insurance act in 1937 has in that act a provision for the assessment of the expenses of the department set up by that act against the insurance companies doing business in the province.

THE CHAIRMAN: Is that a new Department set up, Mr. Finlayson?

MR. FINLAYSON: That is just a new department set up, a new insurance act passed in 1937. There is no insurance company in New Brunswick incorporated for doing either fire, life or casualty insurance. There is I think a small company doing marine business, but in 1937 this insurance act was passed setting up complete machinery for licensing and inspecting and supervising insurance companies doing business in the province. And the Act provides that the expense of administration of that department set up shall be assessed against the insurance companies doing business in the province, all of which are incorporated outside the province.

MR. ST. LAURENT: q. It is a very voluminous statute.

A. Yes it has 300 sections.

Q. Covering practically the whole field that is now

Q. Covering practically the whole field that is now covered by the dominion legislation? A. Yes, and much more; covering everything that is provided by the dominion or any province. I do not think we have any figures yet as to what the expense has been, because it was just set up in 1937. I suppose the first assessment will be made against the insurance companies in 1938.

Q. Is it your knowledge that it has actually been set up and organized and is functioning? A. Yes.

The Superintendent of Insurance has been appointed.

Q. And the companies are required to make the returns now, are they? A. The companies were all required immediately after the Act came into force to file their documents and get their licenses. We had to, in a great many cases, give certified copies of documents that had been filed with our department years ago. In some cases we could not do that and the companies had to get the original documents from their head offices. So that with those two exceptions I do not think there is any other province that assesses their expense against the companies. Of course you will realize they have very large revenues from the companies by way of premium tax and license fees and filing fees, so that in every province there is a very large margin of insurance revenue over insurance administrative expense.

THE CHAIRMAN: Keeping the premium tax separate and dealing only with the license fees, do the other provinces require a license fee more than sufficient to pay the cost of administration or less?

MR. FINLAYSON: I am not sure that I can answer that off-hand, sir. I do not think there is any provincial revenue divided up in that way.

THE CHAIRMAN: Just before passing on from the legislation in New Brunswick, what form of insurance act did they have in force before this new act was passed?

MR. FINLAYSON: They just had a number of acts dealing with particular phases of insurance. For instance, I think they had an act providing for the licensing of Insurance Agents. That was one separate act. Then I think they had an act dealing with the life insurance contract, the uniform provisions for the life insurance policies. That was another act. There were one or two other acts dealing with small parts of the business of insurance, but no act providing for administrative machinery. This act differs from those acts governing the contracts and providing for the licensing of insurance agents in that it ^{sets} up a complete insurance department for the province.

COMMISSIONER MACKAY: How many provinces have departments for administering insurance?

MR. FINLAYSON: I think all now with the exception of Nova Scotia. Nova Scotia has no act corresponding to this. They have a number of acts similar to those that I have described as in existence in the province of New Brunswick before this act was passed but they have no machinery constituting an insurance department, for setting up a system of supervision and inspection.

MR. ST. LAURENT: Q. As a matter of fact, they expressly make use of your department?

A. Yes.

Q. And expressly require their companies to have a dominion license after complying with the requirements of the dominion statute? A. Yes. So that to set up an act like this, and set up a system like this, would be quite inconsistent with the action they took in 1918

Q. Under this New Brunswick Act would these British and foreign companies that had to file documents showing the regularity of their incorporation^{ion} and so forth, have to file similar documents with the provincial registrar? A. Yes,

Q. And it^{was} the same sort of thing that was obtained in the form of a certified copy from your department?

A. Yes, that is so far as the documents for licensing are concerned.

Q. Yes. A. I think there is provision here for the Governor-in-Council exempting such companies as it wishes from the obligation to file returns. That I think is the same provision as is in the act of Ontario. I am not sure that I can locate the section now, but I am quite sure that the section is there. There is discretion on the part of the Lieutenant-Governor-in-Council to exempt any companies that it desires from filing returns.

Q. You mentioned Ontario and also Quebec. Has Ontario a similar insurance act? A. Yes.

Q. Or similar in a general way? A. Yes. In fact this act is very largely modelled, I think, upon the insurance act of Ontario.

Q. And are there other provinces having similar provisions, almost as elaborate or perhaps quite as elaborate, as those which the New Brunswick Act provides? A. Yes, I think that is true of all the provinces with the exception of Nova Scotia.

Q. Then, dealing not only with insurance companies but with loan companies and trust companies --

THE CHAIRMAN: Mr. St. Laurent, excuse me a moment. Just before passing away from the insurance companies, does the New Brunswick Act provide for inspection as to financial standing, and so on, of the companies?

MR. FINLAYSON: Yes. "The Superintendent shall visit personally, or cause to be visited, at least annually, the head office, or chief agency in the province of every licensed insurer, other than a mutual benefit society having less than three hundred members, or any insurer as to which he adopts the inspection of some other government." That is the discretionary power that I think he has. He can accept the inspection of some other government if he chooses to do so.

MR. ST. LAURENT: Q. Is it some other government, or some other province? A. "Of some other government.

"And he shall verify the statement of the condition and affairs of each such insurer filed under this Act and make such inquiries as are necessary to ascertain its ability to provide for the payment of its contracts as they mature and whether or not it has complied with all the provisions of this Act applicable to its transactions, and the superintendent shall report thereon to the Minister as to all matters requiring his attention and decision."

THE CHAIRMAN: Do any of the provinces require deposits?

MR. FINLAYSON: I think not, if they have made a deposit with the dominion department. They do require deposits from their own provincially incorporated companies which have not taken out a dominion license.

THE CHAIRMAN: I have forgotten in which brief it was stated by the representatives of a particular class of companies appearing before us, but one stated they had had six or seven officials in the office at the same time representing the dominion and five or six provinces. Was it the life insurance companies?

MR. ST. LAURENT: I think, sir, it was in the Trust companies brief that it was stated that at one time there were auditors representing six authorities in their offices at the same time.

MR. FINLAYSON: That is quite possible. There is more duplication of inspection in the trust and loan field than there is in the insurance field. The province in nearly every instance insists on making a complete inspection of all dominion loan and trust companies operating in that province and their statements and regulations in some cases conflict with those of the dominion, which is very troublesome and very embarrassing to the companies concerned.

MR. ST. LAURENT: Do these dominion trust companies maintain deposits with your office?

A. There is no deposit system for trust companies in the dominion legislation. We do not require deposits from loan and trust companies. Some of the provinces do require deposits from trust companies as a condition to their executing bonds and administering trusteeship in the province.

Q. Can you from memory say whether that is a requirement of the Ontario laws with respect to trust companies? A. I cannot say. I think they do not require a deposit from their own domestic companies. They may require a deposit from any foreign company or any British company carrying on business in the province..

Q. Or from a company incorporated under a dominion charter? A. I think they do not require it from a dominion company. I think some provinces do. My impression is that the province of New Brunswick, has in some instance required a deposit to be made by dominion^{trust}/companies. How general that is I am not prepared to say.

Q. Can you indicate to the commission the reason for there being greater duplication in the inspection of the records of the trust companies than there is with regard to insurance companies? A. I really cannot say.

Q. It just happens to be so? A. It just happens to be so, I donot know of any reason for it.

Q. I suppose you have no figures indicating separately what the cost of the inspection of trust and loan companies is? A. In the provinces?

Q. In the provinces? A. I have not it officially. I do not think it would be possible to get it from the public accounts, the department is dealt with as a whole.

Q. That is everywhere the same department deals with the insurance companies and the trust and loan companies? A. I think so, so far as I know. On that question you put, my Lord, on the relation between the license fees obtained from insurance companies and the administrative expense, I feel quite safe in saying that the fees more than provide the administrative expense

but I have not got the figures to confirm it.

Q. Have you any idea of what the expense is to which the companies are put for the purpose of complying with the provincial regulations as compared with the amount of dominion expense? A. I have no exact figures on that. I have only what is told me by the companies concerned and from what they say the expense to which they are put in providing these provincial returns will run into hundreds of thousands of dollars. I cannot give you anything more exact than that. I think the All Canada Federation Brief mentioned a million dollars. I have had other estimates but I know that it must be very great and I should say easily two or three ^{hundred} thousand dollars as a very minimum.

Q. That is because of your knowledge of the amount of clerical work that is required to prepare these documents. A. Quite.

Q. With respect to companies, Mr. Coleman told us a few moments ago that the data in respect to which the return had to be filed for federal purposes and for dominion purposes not being the same in all cases involved a lot of clerical work; is that true with respect to the insurance companies? A. I think that is not true with respect to insurance companies. I think all the fiscal years of the insurance companies in the provinces end 31 December. I think we are uniform in that respect.

Q. I believe you said, sir, there was one function of the provincial departments that was not performed by the dominion department and that was the licensing of the insurance agents? A. That is true.

Q. How is that provided for, for instance, in Nova Scotia where they have not this insurance department?

A. The deputy provincial secretary, I think, acts as the

registrar for the purpose of issuing licenses. In fact the deputy provincial secretary of Nova Scotia, in so far as there are functions relating to insurance to be performed, performs those functions.

Q. Is this a function which can be quite easily performed without having an elaborate insurance department?

A. I think it could be. There is no doubt that aspect of supervision is probably more local than any other aspect. The company with head office, say in Montreal or Toronto, operates all over the dominion and has agencies in every province. Those agents operate in the local field; they deal with citizens of their own communities and are probably more detached from the head office of the company than any of the other activities that come under supervision. As a rule what is done is this: The object of licensing of agents of course is to make sure that only fit and proper persons engage in that business in the interests of the public. There is in most of the provinces that do attempt to carry out that object of licensing of agents, constituted an advisory board on which the insurance companies, the agents themselves, and the department are represented. Doubtful applications coming to the department are referred to that advisory board for consideration.

Hearings may be had by that board, the applicant appears and the decision of the board I think, is usually final. The same applies in the case of complaints against agents who have already been licensed. That complaint is referred to the advisory board and its decision is final.

Q. Is it your view that that is one field that can more satisfactorily be handled locally than it could be handled by the dominion? A. I think it could be handled locally, probably better. And if it does not

mean setting up complete machinery for inspection of companies as incidental to it, I think the relegation of that branch of insurance activity to the province is quite justified.

Q. And is it your view that that is an activity that is in the public interest? A. I think so, some sort of supervision of agents. My view has always been that the companies themselves should supervise their own business in that respect, that they should be depended upon to see that only fit and proper persons represent their company. But it evidently does not work out that way in spite of all the companies can do. Apparently there have been misfits in the insurance agent field and I think there had to be more stringent regulation regarding the appointment of agents either by the companies themselves or by some outside authorities.

Q. Is there a fire prevention office attached to your branch, sir? A. Yes, there is.

Q. What is the function of that office? A. That is a branch which has probably no statutory authority. There is no statute authorizing its creation. It started as a voluntary association out of the Dominion Fire Insurance Association organized in a voluntary way in 1918. Following the war it was realized that there had been a great deal of construction for the manufacture of munitions which would fall into disrepair following the end of those activities and probably the insurance companies and manufacturers engaged at manufacture could help in making some provision for safeguarding it so it would not become a public menace. In 1918 there was called together representatives of these trade associations, bankers, manufacturers, wholesalers, retail associations and that was called by the name of the Dominion

there was that there should be a voluntary association formed and the Dominion Fire Prevention Association was the result. The association took over from the then Commission of Conservation a fire prevention expert, Mr. Smith, and he has remained since in the service of that association under the title of Dominion Fire Commissioner. It has no revenue other than an annual vote from parliament which has varied from about \$10,000 to \$20,000. It carries on propaganda in favour of fire prevention and receives reports from all over the country, statistics as to fire loss causes. It issues a bulletin of a more or less technical nature and cooperates entirely with the fire marshalls of the provinces, where they have been appointed. The results have been, we think, very encouraging and we think it is an effort well worth while.

Q. It is not duplicating anything that is done provincially then, but rather a pooling of the information, a coordinating of the efforts throughout the various provinces? A. I am not prepared to speak for the provinces, but I have had no complaint that there is any duplication. As far as I know the fire marshalls all of whom are represented on this Dominion Fire Prevention Association, welcome the assistance that the Fire Prevention Association gives.

Q. Then, it is rather a national organization than one controlled by federal administration? A. Yes, there is no statute governing its activities. There is a provision in the Criminal Code that does provide for an officer in the service of the dominion approving recommendations made by a provincial fire officer. That is, if a provincial fire officer, fire marshall or other officer, issues an order against a certain property for

its improvement or demolition and that order is not carried out it may be passed on to a dominion officer and if the order is confirmed then the owner of the property must comply or be guilty of an offence under the code.

THE CHAIRMAN: What part in the administration of that organization does your department take, Mr. Finlayson?

MR. FINLAYSON: Merely that the Dominion Fire Commissioner is an officer of the Department of Insurance. The Minister of Finance is Honorary President of the Dominion Fire Prevention Association. I myself am Honorary Secretary Treasurer and the administrative officer is the Dominion Fire Commissioner, who is an officer of the Insurance Department.

BY MR. ST. LAURENT:

Q. Have you anything to say to the commission, Mr. Finlayson, with respect to the taxation of the insurance companies and the insurance business?

A. Well, I may say that taxation is really outside the jurisdiction of the dominion as far as insurance companies are concerned. Until 1915 the dominion did not tax insurance of any kind other than the assessment for the expenses of the department. There was no dominion tax on life, fire or casualty premiums. The special War Revenue Act which I think was passed in 1915 imposed a war tax of one per cent on all fire and casualty premiums. There is no tax and never has been on the premiums of life insurance companies. That one per cent tax on fire and casualty premiums imposed in 1915 remained until 1929 when it was removed as no longer necessary, but had to be reimposed in 1931 or 1933 and is on today. Then in addition to that, the fire and casualty companies

are subject to the income tax. They were originally subject to the old Business Profits War Tax, and now are subject to the income tax. The life insurance companies are not subject to the income tax except in respect of the shareholders account. The profits transferred to the shareholders account are taxed as if it was a separate entity.

Q. But, not the income earned on the policyholders' reserves? A. Not the income earned on the policyholders' reserves, no. In the provinces, as I think has been explained to the commission already, all classes of premiums, life, fire, and casualty are taxed --- I think by every province with the possible exception of Prince Edward Island which does not tax fire and casualty premiums. With that exception that statement holds. The rate of taxation varying from one per cent up to three per cent of the premiums received. The taxation of life insurance premiums is not uniform, it varies from one per cent to three percent; and of course that is a very undesirable disparity because the great bulk of the life insurance is written on the participating plan in which profits are declared to the policyholders. Taxation is an item of expense which goes to reduce profits. The rate of dividend declared on participating policies heretofore and up to date has been uniform according to ^{and} plan/age. But you can easily see that if one province taxes those premiums three per cent and another province taxes life insurance premiums ^{only} one percent that the policyholders in the ^{latter} province are really helping to pay the tax in a province which charges a higher tax. So that if the tax on life insurance ^{premiums} is necessary at all there is an urgent need for making that rate of taxation uniform throughout the dominion. I would hope that the time will come when the taxation of life insurance premiums will be

found to be no longer necessary. The taxation of life insurance premiums is akin to the taxation of a savings bank account except in respect of the element that ultimately goes to the shareholders of the companies. But it is a tax that is easy of collection and I suppose that is the reason it has developed. I would like to see it disappear eventually, but in the meantime, until that is done the great need is for establishing a uniform rate all over the dominion.

COMMISSIONER ANGUS: Do I understand, Mr. Finlayson, that the tax is a substitute for income tax in the provinces?

MR. FINLAYSON: In respect of life insurance. Some of the provinces of course have no income tax.

COMMISSIONER ANGUS: In others where the corporation income tax does not apply to life insurance companies this tax is levied instead.

MR. FINLAYSON: I think that is true.

COMMISSIONER ANGUS: How would you deal with the case of a province that had an income tax higher than another province or with the case of a province where income tax is non-existent? Would that not be reflected in the tax, using this income tax as a basis?

MR. FINLAYSON: That might be held to be true in the case of fire and casualty companies, but it is particularly objectionable in regard to life insurance by reason of the participating feature of the life insurance company business. There is not the same objection from the standpoint of fire and casualty companies. As you say, you regard the premium tax as a substitute for income tax. There might be the same justification for a varying rate of a premium tax as there is for a varying rate of income tax in various provinces. I think as a general feature the more uniform taxation could be made as between the provinces the better.

THE CHAIRMAN: On this question of taxation, as you probably recall, under the order in council appointing the commission we are asked to report on the existing system of taxation as allocated and imposed, to say whether it is as good as can be devised. In the light of that proposition what do you say about taxing premiums of life insurance companies where the tax must be based on or deducted from the profits or the amount which the insured would normally receive? Is there any objection to it as a tax on the ground of public policy, or is it an expedient tax in case you could secure uniformity?

MR. FINLAYSON: I have stated the objection that I see to taxing life insurance premiums at all. Life insurance premiums represent in reality the savings set apart by life insurance policy holders, not so much for the benefit of themselves, as a savings account in the bank might be, but for the benefit of their dependents who may be left after they are gone. It is a method of thrift. So that it seems to me to be wrong to tax those premiums. I think it would be almost unthinkable to tax the deposits that a man makes in a savings bank account. So that if there could be any way of getting rid of this life insurance premium tax, I would like to see it abolished. But, if we have to make up our minds that it is inevitable for the present, at least, then I think the premium tax is, ^{as} well suited to the life insurance/^{business} as any other form of tax. It is probably preferable to any other form of tax if it can be made uniform as between the provinces.

COMMISSIONER ANGUS: Do you think that there would be a real difficulty in applying the provincial income tax to life insurance companies? Would it be difficult

to apportion the income earned in the province?

MR. FINLAYSON: I do not see how you could do it fairly except in the way the dominion has done it, that is to make it apply only to the shareholders' accounts. I do not see how you could apportion the income. Take for instance the income from investments, it would be very difficult to apportion income from investments.

BY MR. ST. LAURENT:

Q. Do I understand, Mr. Finlayson, that if the circumstances are such that the activities of life insurance companies have got to be taxed this premium tax would seem to be the most practical way of taxing them.

A. I think that is right. I think insurance companies would prefer it. I think it is the simplest and the best suited all round.

Q. With respect to participating policies would it involve much expensive clerical work to take into account the various rates in the various provinces in apportioning the profits to policyholders in those provinces?

A. That would be very difficult and I do not wonder that the companies have tried to steer clear of that task. It would mean analysing the experience in every province; you would have to take account of the mortality of every province; policyholders are moving from one province to another. I am afraid it would be a hopeless task to deal with the business of the life insurance companies from the standpoint of profit earning power according to the province. I do not say it could not be done, I think there could be a rough shot made at it. I think it would be very unnecessary.

Q. Do you think it would involve considerable administration expenses to ascertain the figures?

A. There is no doubt that the trouble would be worth

more than any gain that would come from it.

COMMISSIONER MACKAY: Assuming the continuance of the premium tax, what is the most convenient way of collecting it, through a provincial taxation authority? Or through the dominion?

MR. FINLAYSON: That goes to the point of administration expense.

(Page 3495 follows)

I think it would be quite possible for all these taxes, all these premium taxes to be collected by dominion machinery and then be distributed to the provinces according to the incidence of the premium. It is a tremendous burden on the companies to make out separate income taxes for every province and then for the fire and casualty companies as well as the dominion. The dominion imposes a tax on the fire and casualty companies and every other province in Canada imposes a tax; all these taxes are verified by separate returns. Now, it would be very simple for the tax, assuming it can be made uniform, to be made on one return to the dominion. We have now the various premium and income taxes imposed by the provinces, then we have to reallocate it and pay it to the various provinces; that can be done in the absence of uniform tax because we can say in respect of any province so much premium income has been received from that province and that province is to have its one, two or three per cent of that amount. It would save an enormous amount of clerical and administrative work on the part of the company.

BY MR. ST. LAURENT:

Q. I suppose it would save an enormous amount of clerical and administrative work on the part of the companies?

A. And also on the part of the administrative officials when these returns are received. Whenever these returns are received they must be checked, filed and tabulated. It means there must be about ten sets of officials doing that sort of work where one would do.

Q. And the allocating would be a very small duty as compared with the amount of work that is now done?

A. It would be nothing, a very simple arithmetical computation.

Q. Have you had an opportunity to consider the brief submitted to this Commission by the Canadian Life Insurance Officers Association? A. Yes.

Q. And will you state to the Commission whether, in general, you agree with the things stated as facts, in so far as they come within your knowledge? A. Yes, I think I have no objection.

Q. For instance, this statement by the Canadian Life Insurance Officers Association says that there are three and a half million Canadians holding policies with the life companies. Does that appear to be accurate?

A. I think that is a reasonable figure. I am not sure it can be verified to the last one; it is an estimate, which is approved by all the companies and is in use in the United States and Canada.

Q. Then on page 3 there is an estimate of the life insurance in force in Canada as being six and a half billion. A. That is correct.

Q. It does not include, I think, the fraternal and benefit societies. A. I think that would be nearly \$6,700,000,000?

Q. There would be about 200,000,000 in fraternal insurance?

A. I think that is correct.

Q. That would average a little less than \$2,000 per policy?

A. A little less than \$2,000.

Q. From what minimum policy would that average be obtained?

A. Of course in industrial insurance there are policies as low as ten cents a week, the premium would be perhaps \$100. Some of the industrial policies are very small.

THE CHAIRMAN: Would you say generally that the bulk of that insurance is held by people of limited means?

MR. FINLAYSON: Oh yes, of very limited means; I think the average amount of the policy would indicate that so far as the industrial insurance is concerned. It is

an insurance for the workers, for the most part manual labourers, people of very small means.

BY MR. ST. LAURENT:

Q. And it does in fact represent, as the insurance companies say, savings of a very substantial section of the people?

A. Oh yes. It is a very important part of the total savings of these people. A great many of them have industrial policies when they have no bank accounts or any form of savings. Industrial insurance originated probably as burial insurance, provision for the funeral. It is probable that that is in the minds of a great many of the people who do take out industrial policies to-day, although there is no doubt the other element also of laying aside savings for other purposes.

Q. Have you an approximate figure of what the industrial insurance amounts to? A. \$853,000,000 at the end of 1936. There was \$853,000,000 in force out of a total of \$6,700,000,000 or \$6,800,000,000.

Q. With respect to the other \$5,000,000,000 and six or seven hundred million, how would that in a general way be distributed on the average? A. It would not very greatly affect the average. The average of the ordinary policy might be about \$2,400 or \$2,500.

Q. The average of the non-industrial policies would be \$2,400 or \$2,500? A. Yes.

Q. Have you any figures that would throw any light on the average insurance carried by each policyholder, as I assume there may be a great many policies on one life?

A. You could get that from these figures. The estimate here is 3,500,000 policyholders and the total amount of insurance is six and a half billions.

Q. Can you say how many of these policyholders approximately

would be industrial policyholders? A. No, I cannot say. We know the number of industrial policies but not the number of industrial policyholders. It would be very interesting to get that, but the only way would be through the census returns. I have in mind making a suggestion for the next census, that there should be in the census returns a statement as to insurance, ordinary and industrial, held by each person. Then we would have the exact figures such as you now ask for.

Q. Have you also looked at these schedules, appendices a,b,c,d,e,f, and g? A. Yes.

Q. Do they in a general way appear to you to present the picture correctly? A. I think they are very comprehensive, and so far as taxation rates are concerned we have confirmed these. In fact, I think these figures are taken very largely from our report which is derived from the provincial officials.

Q. From your experience, there is no different information that would be of use to the Commission in considering that matter? A. No; this is very comprehensive and very accurate, I think.

THE CHAIRMAN: Does that also apply to the information contained in the brief of the All-Canada Insurance Federation?

MR. FINLAYSON: I think that is true. I do notice one point here which I had overlooked in what I said yesterday as to the licensing in two provinces. I said that Nova Scotia did not license insurance companies. That statement is quite correct. They do not license insurance companies under their insurance Acts, but the companies are required to get registration under the Corporations Act and pay an annual fee.

THE CHAIRMAN: That would be the same as any corporation, I assume?

MR. FINLAYSON: Any trading corporation. So that while it is not licensed under the Insurance Act as in other provinces, the company does register under the Corporations Act. I said that Prince Edward Island did not require a license; I had in mind New Brunswick. At the end of 1936 New Brunswick did not issue licences to insurance companies, but under the code enacted in 1937 they do. I think the same applies to the appendices to the All-Canada Insurance Federation brief. I think the figures are comprehensive and accurate.

BY MR. ST. LAURENT:

Q. Have you also considered the brief of the Dominion Mortgage and Investment Association? A. Yes; the same applies there.

Q. You find nothing stated there with respect to which you would have different information to give to the Commission? A. No; I would confirm everything they say.

THE CHAIRMAN: One other point in connection with these briefs. These briefs suggest that the provinces should continue licensing agencies. They also suggest that the provinces should continue the matter of having jurisdiction in reference to the form of insurance contract.

MR. FINLAYSON: Yes. I deal with that in the memorandum. I would say, regarding insurance agents that if it could be carried on with reasonable expense, if it does not mean the setting up of a large overhead for administration, it is probably best left with the provinces. I do not say that the dominion should not do it. I think the dominion could do it if it had to,

but our preference would probably be against doing it, providing it could be done with reasonable expense.

With respect to the contracts, I would take about the same position. Ordinarily the legislation regarding insurance contracts should not require very much in the way of administration. The Act is passed and it operates. So that there again, if that could be done without excessive administrative expense, then I think it would probably be in the public interest to leave it that way. I say that particularly in view of the peculiar position--peculiar in one sense -- of the province of Quebec. The province of Quebec has its civil code. I am inclined to think that that civil code was one of the things meant by the term "property and civil rights" in the British North America Act. It is significant I think that Quebec is excepted from Section 94, which provides for dominion legislation dealing uniformly with property and civil rights in the provinces. Quebec is excepted from that, which indicates I think that it was the intention that Quebec should be assured indefinitely of the benefit of the civil code and that civil code deals very largely with insurance.

THE CHAIRMAN: Contracts for insurance.

MR. FINLAYSON: Yes. I do not say it would be impossible. I suppose that if insurance, without restriction, were relegated to dominion jurisdiction, it would be possible for the dominion to legislate respecting life insurance contracts in one way for the province of Quebec and in another way for all the rest of the dominion. I should think that would be possible.

THE CHAIRMAN: They pretty well have a uniform Act now, have they not?

MR. FINLAYSON: It is practically uniform outside Quebec -- the life insurance contract section.

THE CHAIRMAN: Growing out of the work of the Commission on uniformity of legislation?

MR. FINLAYSON: Yes.

MR. ST. LAURENT: And the superintendent of insurance conferences ?

MR. FINLAYSON: Yes. That Commission, working with the Association of Superintendents of Insurance in the provinces, have worked out practically a uniform life insurance act dealing with the contents and form of the contracts; but that does not apply to the province of Quebec, and I think that all are agreed that it cannot be extended to that province. That is my impression. In view of that therefore our department takes no objection whatever to the regulation of the contract remaining with the province.

COMMISSIONER MacKAY: I take it from your evidence that you think that all administration over insurance companies and insurance in general could be carried on from Ottawa with the exception of two matters -- insurance contracts and the licensing of agents.

MR. FINLAYSON: Yes, I think that would be so, but I would somewhat qualify the licensing of agents. I think we could do it. For instance, our department could have representatives in the branch offices to sit in with the advisory committees I have spoken of and probably do just as well as they are doing now. But there is no doubt there would be delays in the remote sections of the country, which would perhaps be annoying to the agents in those districts. I think that on the whole it is better as it is.

COMMISSIONER MacKAY: If so, that means that the separate insurance departments in the provinces are generally speaking, unnecessary.

MR. FINLAYSON: So far as the supervision of the financial standing of insurance companies is concerned, I think they are. In some provinces, it is true they have a substantial number of small companies. They supervise those companies, but that supervision could be done very well and much more economically by the dominion department.

COMMISSIONER MacKAY: There is no reason why these companies could not be chartered by the dominion.

MR. FINLAYSON: No, although there are cases perhaps where local incorporation is to be preferred. At the present time we very often recommend to applicants for dominion charters going to the provinces and getting provincial incorporation, that is where the business is very small, and the fees for incorporation by dominion statute, Act of the Parliament of Canada, might be a little more than they could stand. If it is clear that their operations are going to be confined to the province, I think that, probably, under our present setup is to be preferred. But I do not say it need continue to be so. It would be quite possible for the dominion to pass, say, a general fraternal Act providing an easy means of incorporation under that Act of companies which intend to operate only in the province. The other class of companies which perhaps is more local is the farm mutual company. A great many of these companies operate in a very restricted field. There are the parish mutual companies in the province of Quebec, for instance, operating on a very small scale. It would be quite

possible for the dominion to pass a general farm mutual Act by which small local companies could be incorporated at very small expense. So that that difficulty could be got over if the result would be to reduce this duplication of administrative expense.

THE CHAIRMAN: Was there any point that occurred to you that you did not touch upon, Mr. Finlayson?

MR. FINLAYSON: There is just one point I should mention. I have given on the second page of the memorandum a classification of the business according to jurisdiction. I have not dealt there with the business of London Lloyd's, Lloyd's Underwriters. I did that for this reason. I wanted to make this classification according to jurisdiction; that is, to show in the one column the volume of business clearly under dominion jurisdiction, and in the other the volume of business under provincial jurisdiction which the dominion cannot

touch. That column headed "Provincial Licensees" deals with provincially incorporated companies, which of course are without dominion jurisdiction. Now the position of London Lloyd's at the present time is this. They are within dominion jurisdiction if the dominion chooses to exercise it; they are an extra-Canadian insurer. The question of the status of Lloyd's in Canada came up acutely in 1934 at the time of the amendment to the dominion Act. They took a position similar to that of the reciprocals I referred to yesterday. They said, "Lloyd's cannot make a deposit for the special protection of its policyholders in Canada." They were quite willing and anxious, I think, to get dominion business on their own terms, that is, with not Canadian

deposits. Parliament however took the position that it was undesirable to grant licences unless there were deposits to secure Canadian policyholders. The Act was therefore amended to make it impossible for a licence to be granted to London Lloyd's and to make it necessary for them to get a licence. So that the position now is that Lloyd 's is not required to get a licence and is prevented from getting a licence even if it wants to. That leaves it in the jurisdiction of the provinces, and Lloyd 's have obtained licences, from, I believe, three or four of the provinces of Canada and are doing a fair volume of business in the fire and casualty fields. I do not think we have exact figures, but I believe that in 1936 Lloyd 's received in Canada something over three million of premiums in connection with fire and casualties.

THE CHAIRMAN: In reading the statistics on page 2, one should keep in mind the special position of Lloyd's.

MR. FINLAYSON: As an addition, yes. There would be an addition to the fire premiums received by the companies licensed by the provinces of about \$1,000,000, and about \$2,000,000 received for casualty insurance.

COMMISSIONER ANGUS: Do you deal with marine insurance?

MR. FINLAYSON: Not at all. It has never been the subject of dominion legislation from the start. It has always been exempt, from the earliest dominion Acts up to the present time, and is practically exempt also from provincial Acts, so far as regulation or supervision is concerned. That is for the reason that it is practically impossible to supervise marine insurance, because the moment supervision becomes too burdensome the business is transferred from some other part of

the world. If burdens were put upon marine brokers and marine insurance in Montreal, say, the business would be done from New York or London or Shanghai or somewhere else.

BY MR. ST. LAURENT:

Q. With respect to Lloyd's, how is it possible, or is it possible, for them to operate in Nova Scotia?

A. They are not licensed in Nova Scotia. There are marine brokers, of course, representing Lloyd's for marine purposes.

Q. But as to fire and casualty? A. No; they cannot write fire and casualty. But it has always been open to any citizen in Canada to go to London and get a Lloyd's policy just as he may go to an insurance company there that has never seen Canada and get a policy. There may be some business placed that way, but it is not placed as licensed insurance.

Q. Under the existing statutes, there would be no way in which Lloyd's could be licensed for the purpose of doing business in Nova Scotia? A. No, because it cannot get a dominion licence.

Q. And it cannot operate in the province of Nova Scotia, under their laws, without a dominion licence? A. No.

THE CHAIRMAN: Thank you, Mr. Finlayson. You have given us an interesting and important statement in connection with the whole business of insurance and we thank you for it.

Mr. Found, of the Fisheries Department is here and will tell us about the work of his department in relation to the provincial fisheries departments.

STATEMENT BY THE DEPUTY MINISTER
OF THE DEPARTMENT OF FISHERIES.

MR. W. A. FOUND (Deputy Minister of Fisheries):

Mr. Chairman. I have prepared a brief memorandum which

sets out the position, and I can say in a few words what it is. I think it may be said with assurance that it was intended by the British North America Act that the administration as well as regulation of fisheries in all parts of Canada should be a federal function. I say that because that was what was done at the time, and that continued to be the case for several years. Without going into detail, the results of the question that arose have been Privy Council decisions which have finally clarified the situation, which at the present time is this -- that the exclusive power to regulate fisheries, no matter where these fisheries may lie, is a federal function. The administrative jurisdiction of all tidal fisheries and, under the decisions, in Quebec of all fisheries in waters that are navigable from the sea, is a federal function.

In the non-tidal waters, broadly speaking, and in Quebec in those waters that are not navigable from the sea, ownership in the fisheries is vested in the riparian owners, and in most of the provinces it means that the ownership of practically all the fisheries is therefore vested in the province. So that at the present time the administration of the fisheries in the different provinces that have non-tidal waters is carried on by the departments of the provincial governments concerned.

The federal government is regulating the fisheries in these provinces, and it administers as well as regulates the fisheries in all tidal waters with the exception of those in Quebec and, again, with the exception of those about the Magdalen Islands, where since 1921 there has been an agreement whereby the province administers the

administration in the tidal waters there with the exception of those about Quebec.

That divided jurisdiction is unsatisfactory in a measure. I think however that the operation under it is being carried on as satisfactorily as it can be from all standpoints, and it is not allowed to result in any overlapping that is costing additional money. For instance, in Manitoba, which is administering its fisheries -- except of course where they have a tidal flow into Hudson Bay, or where there are still fisheries on a commercial basis worth while -- the province submits its recommendations to the federal government through our department for such regulations as it finds to be necessary in the light of experience, and we act as a machine for getting these before the council; and the council deals with them.

I know of no instance in which they are not dealt with as recommended. It would not be advisable for the federal government, for our department, to undertake the responsibility for the regulation of fisheries which it is not administering. It could not have the necessary knowledge to do so intelligently. To-day, that intimate knowledge which enables proper regulations to be made is essential to the administration of a fishery.

THE CHAIRMAN: The effect of that statement, Mr. Found, would appear to be that where you do not administer it is difficult to regulate.

MR. FOUND: It is difficult, I should say, without a large expenditure of money; it would be impossible for us to determine the regulations that should be enacted.

THE CHAIRMAN: Take the province of Manitoba. My recollection is that it was pointed out there that the province administers its own fisheries, but it is subject

to dominion regulation in reference to that administration. They said they had found it difficult at times by reason of the distance and delay in communication to get matters dealt with which they thought of importance.

MR. FOUND: Probably that was qualified by the statement, as speedily as they might like.

THE CHAIRMAN: Yes.

MR. FOUND: That may arise, Mr. Chairman; and sometimes in the administration of fisheries a certain condition may develop which would induce a province to ask for an immediate change in the regulations. Where we are administering we seek to avoid that. We feel that it is desirable that an industry should not be carrying on its operations subject to day to day changes; and therefore, as far as we feasibly can -- this is not a rule from which there is no departure, but there is very little departure -- we go over the regulations at the end of each year, in the light of the experience of the one that is closed, and then make such amendments to the regulations as are found to be necessary on the understanding that no further changes will be made during the year.

There is one other aspect of the matter that might be considered at once, and it is the question: Would there be any objection to the provinces having a regulative power? Generally speaking, no. But the difficulty is that a number of our commercial fisheries resort to non-tidal waters for reproduction, and their regulation of these fisheries and even their protection, becomes essential on the part of the federal authority. Salmon for instance.

THE CHAIRMAN: Take the maritime provinces, do

you regulate and administer all the fisheries down there?

MR. FOUND: Except in New Brunswick, which has for instance important sport fisheries in the non-tidal waters. It administers these, at least to the extent of licensing or leasing them.

THE CHAIRMAN: You issue all licences for fishing in tidal waters?

MR. FOUND: Yes, and we follow the protection of those fisheries that form a commercial fishery into the non-tidal waters.

COMMISSIONER DAFOE: By regulation but not by administration.

MR. FOUND: By regulation and administration, except to the extent that the province, where angling is permitted, does the leasing of the angling and gets revenue from it.

COMMISSIONER DAFOE: Are there wide variations in the different regulations asked for by the different provinces ?

MR. FOUND: Very wide in some instances; it depends. If you grouped them there would not be very much difference in the fisheries -- certain fisheries of the prairie provinces, for instance. There would be, however, a wide difference between the regulations in the salmon fisheries on the Atlantic and Pacific coasts.

COMMISSIONER ANGUS: Do you think that if the dominion authority and the provincial authority were concurrent in the case of fisheries as in the case of agriculture, the arrangements might be a little less cumbersome, and each province might make its own regulations, unless they conflicted with dominion regulations?

MR. FOUND: Unless they conflicted with dominion regulations ?

COMMISSIONER ANGUS: The dominion regulations would prevail in the case of a conflict.

MR. FOUND: I would not see any objection to that so long as the provinces administered. After all it is not a very satisfactory position to be put in to have to be sponsor for regulations when you really do not know whether they are the ones that should be enacted or not -- and we cannot know when we are not administering.

THE CHAIRMAN: Was that division of regulation from administration adduced from the case that went to the Privy Council some years ago with reference to the fisheries of Quebec ?

MR. FOUND: No, sir; it was previous to that.

It was the 1898 decision. The story, very briefly, is this. In 1882, following the difficulties that arose in New Brunswick in connection with the leasing of salmon angling privileges in non-tidal waters, there was a reference to the Exchequer Court. The decision of the Exchequer Court was that in non-tidal waters there is an ownership in the fisheries which is vested in the riparian owner. That raised the whole question with such provinces as Ontario and the inland portions of the country, which said, "All our fisheries are non-tidal and the ownership is therefore in us." These questions took a long time to take concrete form and there was a submission of them to the courts; but in the light of the experience that was gained, a series of questions was submitted to the Supreme Court of Canada in 1894, if I recollect rightly, The decision was given just about 1895. It was referred to the Privy Council -- or rather a series of questions

was referred to the Privy Council, and their decision was given in 1898. It is stated in specific terms.

I have a copy of the decision here and I can leave it with the Commission if it wishes. In specific terms the distinction was stated between administrative jurisdiction and proprietary rights.

THE CHAIRMAN: Where the province owns the fisheries the dominion might have responsibility for regulating and administering.

MR. FOUND: It is stated, broadly, that the exclusive authority to regulate fisheries is federal, but in the administration of the fisheries where the responsibility for it lay depended upon their ownership. That again left the whole question tangled. The maritime provinces and British Columbia as well as inland areas took the view that prior to Confederation they had owned the fisheries in the territorial waters as well as in the tidal waters up the rivers and in the estuaries. The federal government took a different view. The difference resulted in three subsequent decisions, and the basis of these decisions was that since Magna Charta there has been a public right of fishery in tidal waters, and the administration of that public right passed to the federal government by section 91 of the British North America Act. Quebec immediately said, "That decision does not apply to us", though Quebec was an intervenant in the submission to the courts, because it is based on Magna Charta, and Magna Charta has never applied to Quebec; which of course was correct. That necessitated another appeal to the courts. A short cut to the Privy Council was arranged for afterwards in 1913, but before the arrangements were finally completed the war broke out

so that we did not get the decision of the Privy Council until 1920. The decision of the Privy Council was in substance that a public right of fishery had been established in Quebec by competent legislation prior to 1867, and that public right extended -- this is my own language-- not only to the tidal waters but to the waters that are navigable to the sea.

THE CHAIRMAN: Would that pass to the dominion?

MR. FOUND: And the administration of that public right passed to the dominion. The decision went on to draw a distinction between public right of fishery and the ownership of the soil under which the fishing was being carried on. That remained vested in the province; and as all the fisheries in Quebec that were being regulated, or practically all of them, were being carried on by fishing implements that were attached to the soil, you immediately had a division of jurisdiction again. It was to overcome the impossible position in which the fishermen were being placed -- between the top and the bottom of the water they were subject to federal jurisdiction and when they got to the bottom they were under provincial jurisdiction -- that the agreement of 1921 was entered into.

THE CHAIRMAN: That is worse than being between the devil and the deep sea.

COMMISSIONER SIROIS: Was there a working agreement between the federal government and the province of Quebec?

MR. FOUND: In 1921 a working agreement was entered into.

COMMISSIONER SIROIS: It could not be worked out without an agreement.

MR. FOUND: Not under the existing law.

THE CHAIRMAN: In the light of all the circumstances, is there any method whereby the administration can be improved or made more economical than at the present time?

MR. FOUND: I am not sure that would be possible at the present time with the development that has come along in the provinces. It seems to me that there is something to be said for an inland province administering its fisheries at present, keeping in view what it is doing, for instance, in game, with one set of officers to handle both of these.

I do think it was rather a tragic mistake that the intention of the British North America Act was not made a fact. I think things would have developed in a way that would have been better for the country -- I wish to be careful there; it would be more satisfactory from the standpoint of administration as a whole. However, as things have gone on along such different lines for such a long time, I am not sure that at the present time any arrangement could be made that would be more economical than the present one. And there is no duplication. We have so arranged with the provinces that there is now in the fisheries no overlapping expense beyond what might be called clerical -- whatever might be charged for clerical work in having the regulations enacted.

THE CHAIRMAN: Have you any questions to ask, Mr. Stewart?

MR. STEWART: Does the department do any regulatory work in connection with the Quebec fisheries?

MR. FOUND: At the Magdalen Islands we regulate everywhere.

BY MR. STEWART:

Q. But in administration? A. No.

Q. Has the biological board acted in Quebec at all?

A. In a measure, yes. That is true all over. That is, the work that it is doing that is applicable to the fisheries of any province, the results of it, are made available at once to the fisheries' authorities of the provinces.

Q. Has the department established any laboratories?

A. In Quebec, yes sir. We established the Research Board as it is now known. The Act of last session changed the name from Biological Board to Fisheries Research Board and we established a station in Gaspé a year or two ago.

But let there be no misunderstanding about that. In our administrative work we have not, in fact, what you would call a scientific division. We have the Research Board which takes the place of a scientific division, and which I submit is as nearly an ideal arrangement as we can have, inasmuch as it is a board made up of representatives of the universities throughout the country doing biological work, the representatives of the industry on both coasts, and representatives of the department.

That board being interlocked as it is works harmoniously from every standpoint and, I think, most efficiently. The department arranges for educational work of certain kinds through that board. For instance, we have courses of instruction given to our own fishery officers each year at our experimental station at Halifax and a similar one on the Pacific coast in connection with which not only our officers but the people from the industry are given a course in canning and in different technical

matters that are of use to the industry. One of these stations had to be placed where it would meet the requirements of the French speaking population, and keeping that in mind the outside coast of Gaspé seemed the best place we could have, so that the station serves not only Quebec but all the areas of New Brunswick and the Magdalen Islands as well, where instructions are given in French.

Q. Your department also administers the Meat and Canned Foods Act in so far as the fisheries are affected? A. Yes.

Q. How is the expense of that defrayed? A. It is included in our general administration. Take the maritime provinces; they are included in one district because the fisheries are all common in their character. They are under one local officer known as the local supervisor. The province, again, is divided into districts, each of which is placed under a district supervisor. These districts are placed in the charge of subordinate officers who work under the district officer, being known as inspectors. The duty of the inspectors covers the whole field. One of these is the inspection of canned and pickled fish, and so on. These men are trained to do that work.

Q. Is the cost of that supervision divided among the factories either in the west or in the east? A. No.

Q. It is a part of the general departmental expense?

A. Yes.

Q. The Deep Sea Fisheries Act, with its regulations, comes under your department for supervision? A. Yes.

Q. Is that confined entirely to the Atlantic coast?

A. Yes. As you know, the money, while it is not specifically so stated in the legislation, is in reality an amount equal to the interest on the Halifax

award; and the Halifax award was under the Washington treaty, which applied only to the Atlantic coast.

Q. A certain amount is expended by the department for the promotion of fish sales? A. Yes.

Q. What is the amount of that appropriation? A. We have two appropriations at the present time, in fact three, but two of them are special in their character. There is one for the past year of \$400,000. It is defined in that grant what can be done, the reorganizing of the dried and pickled fish industries. Then we have an appropriation of \$100,000 which is spent in the way of advertising.

Q. Is that confined to Canada? A. Yes, it is pretty nearly the same work as was done in Great Britain, in connection with the "Calling Canada Campaign." It is a further and special appropriation to meet a special requirement. We have another appropriation for the development of the deep sea fisheries and there are various things done under that appropriation. For instance, we carry on a campaign to increase the demand for fish in Canada by maintaining demonstrators and lecturers on the preparation of fish. These women are continually travelling throughout the country. We also have officers who are giving continuous instruction in better methods of preparing fish for special markets and matters of that kind. Things of this character are the things which we find, in the light of past experience, are in the public interest to do.

Q. And the whole administration of these three special funds of which you speak is under the supervision of your department? A. Yes.

THE CHAIRMAN: I did not quite hear the amount of

the last fund to which you referred.

MR. FOUND: I believe, quoting from memory, that it was \$59,000.

COMMISSIONER MacKAY: Could some of that work be done by the Department of Trade and Commerce?

MR. FOUND: You mean the advertising?

COMMISSIONER MacKAY: Yes.

MR. FOUND: Not in the manner in which we are doing it, except in the case of such special efforts as those covered by the appropriation of \$400,000. At the present time we have two officers surveying the fish markets in the southern portion of this continent. They are working in close cooperation with members of the Department of Trade and Commerce. Those who are making the survey are people engaged in the industry and who have a special knowledge which others would not have, but they are working in cooperation with and through the assistance of the Department of Trade and Commerce officers there.

COMMISSIONER MacKAY: Is there any competition between the dominion and the provinces in the matter of selling fish; do any of the provinces do the same?

MR. FOUND: No.

BY MR. STEWART:

Q. British Columbia does not do it? A. Not as far as I am aware.

THE CHAIRMAN: I would have assumed, Mr. Found, that the marketing of any commodity would have fallen within the jurisdiction of the Department of Trade and Commerce. Has your department been engaged in this promotional work for the sale of fish for any length of time?

MR. FOUND: In Canada we have promoted it in the

sense of developing or giving information to the people in the interior of the country as to the fish and the means of cooking it in order to widen our markets. These other two funds are to meet conditions which have developed during this past several years of economic strain.

COMMISSIONER MacKAY: Your department does not do any promotional work for the sale of fish abroad?

MR. FOUND: No sir, apart from those two funds of which we have been speaking. I might say that our department has, during the past few years, been keeping in the closest contact with the Department of Trade and Commerce and we have been getting reports from them. These reports have then been distributed among the people engaged in the industry. We are not trying to take over the work of the Department of Trade and Commerce in this instance.

THE CHAIRMAN: How much is the appropriation for the administration of the department?

MR. FOUND: For 1936-37, I believe the appropriation amounted to \$2,252,291, expenses amounted to \$2,036,891.64.

THE CHAIRMAN: How is that divided?

MR. FOUND: Salaries and disbursements, fishery officers, covering not only the inspector I spoke of but our patrol services as well -- that is, the boats on the water and what we call our fisheries' protection service for the enforcement of the Customs Act and the Fisheries' Protection Act, that is to say, the safeguarding of waters against foreign fishing vessels. That total appropriation is \$918,600. Then there are a number of smaller ones.

THE CHAIRMAN: I do not mean the smaller items, just the larger items.

MR. FOUND: Fish culture, \$240,000. The next one to that is our Research Board whose appropriation was \$201,300. The large appropriation of \$300,000 was to enable the federal government to cooperate with the provincial governments concerned in alleviating the condition of the fishermen. We contributed to a fund which was built up by the maritime provinces, out of which fund the province gave the fishermen assistance, from the standpoint of property and civil rights. Now the other appropriation expended on domestic and Canadian markets was approximately \$170,000. The large appropriation of \$160,000 is authorized by statute and it appears as a charge under our appropriations for fishing bounty Deep Sea Fishers Act, to which counsel referred.

THE CHAIRMAN: That is a bounty paid to the fishermen?

MR. FOUND: The Atlantic coast fishermen.

COMMISSIONER MacKAY: There is a large item there for fisheries ' protection.

MR. FOUND: Yes, that is one of our big expenses.

COMMISSIONER MacKAY: When you say "fisheries' protection", is that limited in its scope; what does it mean?

MR. FOUND: It means the administrative work of our department. While we have an appropriation out of which we pay all instructors, the inspection work to see that that work is done rightly is paid out of this appropriation. Then our patrol boats, which are necessary for the enforcement of regulations around the coast, are a cost chargeable to fisheries ' protection. These vessels guard against

encroachment on our three-mile limit. We are doing this work as economically as it can be done. The cost of these federal boats makes up one portion of that estimate. The whole matter of the control of fisheries throughout the country is paid out of that fund.

COMMISSIONER MacKAY: The customs service have a separate patrol service.

MR. FOUND: Yes.

COMMISSIONER MacKAY: Is it necessary to have both?

MR. FOUND: I think it is quite necessary. There is cooperation between them to the extent to which it is possible. Their officers are instructed to keep observation for anyone failing to comply with the fisheries laws and our officers have instructions, as well as the necessary authority under the Customs Act, to deal with any infringements of that Act which may come to their notice. The services are so separate that I do not think they can be amalgamated with economy.

THE CHAIRMAN: Have you an extra copy of your memorandum which you could have marked as an Exhibit?

MR. FOUND: This is one which the Secretary could have.

THE CHAIRMAN: We will file this memorandum as Exhibit No.120.

EXHIBIT NO.120: Memorandum presented by
the Deputy Minister of the
Department of Fisheries.

THE CHAIRMAN: One other question, Mr. Found. Is your fisheries' protection service kept very busy in keeping peachers off Canadian waters?

MR. FOUND: No sir, from that standpoint it is not. The fisheries' protection service has its time nearly all taken up with the enforcement of our own laws. They also do other work. For instance, one of them goes to the banks

as a hospital ship with the banking fleet during the summer. They work to keep the harbours open during the winter on the Atlantic coast to enable the fishermen to extend their season for a considerable time. We operate them only during the season of the year in which they are specially needed. At any other time we employ a special boat as we can do that much more cheaply.

COMMISSIONER MacKAY: I suppose one of the reasons for your elaborate system of protection is the need for it in the lobster fishing industry.

MR. FOUND: That is our most difficult fishery to protect, ~~being as it is one of our most valuable,~~ individually.

THE CHAIRMAN: What fishery is that?

MR. FOUND: Lobster fishing.

(At one o'clock the Commission
took recess.)

Page 3522 follows.

AFTERNOON SESSION

C. FRASER ELLIOTT, K.C., Commissioner of Income Tax, was called and examined.

THE CHAIRMAN: Mr. Elliott, there are two phases of this enquiry upon which we would like to have your help; one is the question of overlapping in taxation between the dominion and the provinces, and the other is the general question of taxation. We are asking for your help because you have probably seen in the Order-in-council appointing us we are asked to say whether the present system of taxing in Canada, as allocated and imposed, is as equitable and efficient as can be devised.

Your knowledge of taxation will enable you to appreciate the magnitude, difficulty and perhaps the impossibility of adequately answering that question. Will you develop that, Mr. Stewart?

MR. STEWART: I think at the outset it might be well if Mr. Elliott could give us the general picture of his administration of taxation geographically, and its efficiency in the districts and so forth.

MR. ELLIOTT: Mr. Chairman, the particular purposes designated by the Order-in-Council to which you have referred, I have some note of; and I am glad that you do not expect, even with the limited knowledge of taxation that

I have that this afternoon the Commission's work will be ended and the problem solved. I am only apprehensive of this, that after I am through you may be more in doubt, if you have doubt now and I am perhaps presuming that, but if you have you will probably be more in doubt when I am through than when I started in.

THE CHAIRMAN: We cannot be more in doubt; we may have facts that would justify doubts.

MR. ELLIOTT: I think the answer will be that you will have more facts. Counsel's question is: What is the physical set up of the income tax law in the dominion, so that it might be pictured and thereby with that as a background give the court a more clear understanding of how we function and may possibly function better hereafter.

Income tax was enacted in 1917, and was applicable to the income of that year. The organization was set up in the early part of 1918. To do that Canada had to be divided into what is now eighteen districts. There were a few more at that time, but they have been consolidated. There are now eighteen districts. These districts are, on the east, Halifax, the name of the place where the office of the person in charge of the district is situate.

Halifax comprises Nova Scotia. The next is New Brunswick and that is known as the Saint John District.

The next is the province of Quebec, which is divided into two districts, the city of Quebec, down to about Three Rivers. From Three Rivers, coming west, the district is governed by the inspector at Montreal, and is called the Montreal district. The next district is a dual district. That district is called the Ottawa District, governed by an inspector from this district. Its boundaries go into the provinces of Quebec and Ontario.

For statistical purposes, however, we had to divide that District's affairs into what comes from the province of Quebec and what comes from the province of Ontario; so that hereafter when I speak of the province of Quebec statistics you will know that is the only divided district that exists.

We go then to Belleville, which is a small district -- it is the smallest in size of any. I made a mistake. I

should have said Kingston, and then Belleville. Toronto comes next and then Hamilton, London and Fort William. These are the districts in the province of Ontario. The largest of those is that section of the Ottawa district to which I referred as flowing over into Quebec; because that district follows the northern railway route up into the mining district.

Our districts are divided according to the greatest facility for mail that can be had. Belleville and Kingston are so small that they are only four, five or six counties themselves. Toronto is a big district, and goes all the way up to Parry Sound and some little distance beyond that.

Then, Fort William takes in the western part of Ontario. From there we go into the district of Winnipeg, which is Manitoba. From there we come to the Regina district, which is the lower part of Saskatchewan; the northern part is taken by the Saskatoon office. There are two offices in the province of Saskatchewan.

From there we go to Alberta, which is divided into two districts for reasons that the commission might easily imagine. The southern part is given to Calgary and the northern part to Edmonton. Geographically, perhaps the largest in the sense of territory, but not in distance, to get the people to pay tax, is British Columbia, which is called the Vancouver district. That district covers the whole province.

MR. STEWART: You did not cover Prince Edward Island.

MR. ELLIOTT: I am sorry I missed the flower of them all, beautiful in its red colouring, excellent in its people and good in its money; Charlottetown which takes in the whole of the province of Prince Edward Island.

THE CHAIRMAN: You are quite safe in visiting

Prince Edward Island after that.

MR. ELLIOTT: Thank you. What I have said will be exemplified by the coloured map of the whole of Canada which I am producing.

MR. STEWART: This map will be referred to as Exhibit 121.

EXHIBIT NO. 121: Coloured map
of Canada showing
income tax districts.

THE CHAIRMAN: The northern Ontario mining district is in the Ontario section of the Ottawa section.

MR. ELLIOTT: The Ottawa section, Mr. Chairman. Perhaps I might indicate to you that many of the head offices of these mining companies are located in Toronto. The companies pay in the districts, and file returns in the district in which the head office is situate; therefore the money from the mining districts, flowing through the companies, goes into the Toronto district, but the salaries of those who reside at the mines come in through the Ottawa district. In other words, where the company or person is situate in the district they pay.

MR. STEWART: Will you give us some information as to the employees?

MR. ELLIOTT: Shall I go on?

THE CHAIRMAN: If you please.

MR. ELLIOTT: Counsel asks the number of employees. That brings up the structure that we have to manage the districts that are before you in colour on that map.

I became commissioner in 1932, and therefore I speak only for my share in it. In 1932 we had 1199 employees. If I may, I shall submit to the commission charts for each of one of you, which will show what is being done in the physical structure to carry on the

work of income tax.

MR. STEWART: The chart will be marked exhibit 122.

EXHIBIT 122: Chart of the organization.

MR. ELLIOTT: The column on the left at the base is 1931-1932. The figures in the ordinance to the left, vertical, are percentages, one percent, two percent, three percent and four percent. The figures in the ordinance on the right indicate the number of employees. They start at the base with 1110 and go up by forty's to 1150, 1190, 1230. If you come back to the column of 1931-1932, which is the fiscal year ending 31st March, 1932, you will observe that the number of employees was 1199. The collections of that year were \$61,254,399, and the cost of collecting that money is 3.479 per cent. In other words it cost $3\frac{1}{2}$ cents practically to collect a dollar in the fiscal year, 1932. The next column, 1933, shows that there were 1166 employees in that year. The collections were \$62 millions in round figures. The cost went down that year to 3.164 cents to collect a dollar. I shall let the commission look at the figures themselves. There they are. You will observe the minimum number of employees occurred in the year ending March 31, 1934. If you will follow the employees' curve you will find that it goes down to the low in 1931. Today we have the maximum number of employees, which is 1246. That 1246 is an increase of 47 employees over the five years. I should say that the year 1937-1938 is at the 31 December, not March 1937. So that we are in the middle of the year. The collections when we end this year will approximate \$116 millions.

You will observe that the employees have gone up, but the cost has gone down from 3.479 per cent to $1\frac{1}{2}$ cents to collect a dollar.

THE CHAIRMAN: To what do you attribute the reduction in cost -- the volume of business?

MR. ELLIOTT: I attribute it to two things, Mr. Chairman. One is the economies that have been effected. Experience tells us how to do this and that the better. We have profited by the experience and saved much. I state that most sincerely, because we have been rather successful in doing it. Secondly, the more money you collect with the same number of employees, the less it will cost you to collect a dollar, naturally.

COMMISSIONER ANGUS: Have the rates increased substantially in this period?

MR. ELLIOTT: In five years?

COMMISSIONER ANGUS: Yes.

MR. ELLIOTT: No, they have not increased substantially; quite the contrary. In 1935 there was a surtax.. put on, and that gave us some increased revenue, a little \$3 million. But I go back to 1933-34 and I point out that ownership certificates as a means of checking bearer coupons were introduced in that year. We collected some \$2,500 million ownership certificates, and they had to be distributed to the files of each individual taxpayer.

In 1936-37 the Ontario tax was taken over by the dominion. After that we collected but a few dollars under \$5 million. We had to alter our forms to include their plan. We increased our staff very little because of that change. This extra \$5 million that we collected is not taken into account on this chart. It is as if we had done it without spending a cent. All the money we spent by this is reflected in the background of pure dominion income and nothing else.

We received from the province of Ontario for the

administration of their act, as representing our cost, \$100,000. That reduction of my outlay in running the job is not reflected in this chart. If it were, it would follow that dotted line of base from 1936 to 1937. In other words, my cost would be yet lower and my revenues would be yet higher if I had the benefit of the \$100,000 and the \$5 million on this chart; so that the chart is even better as a working unit than it shows.

The interpretation of the chart is up on the left hand corner as at the end of the fiscal year. The increase in money we have received over 1931-1932 is 80 per cent, as shown by the chart; and as I told you, we are only at the end of December. When we get to the end of this year the increase in revenue will be 90 per cent over the revenue of 1932. The increase in the number of employees on a percentage basis from 1931-37, five years, is 4 per cent. The decrease in the percentage in the cost of collecting a dollar is from 3.5 approximately to 1.5. That is a decrease of about

The percentage of accounts uncollected is .05 per cent. In other words, this organization collects 99.95 cents out of every dollar. That percentage is not shown on the chart, but I can tell it to you from memory, and our statistics will prove it. Since the inception of the Income Tax Act and the Business Profits War Tax Act --- they were jointly administered in the early years --- we have collected over one billion dollars; well over that, \$1,250,000,000, and the outstanding debts are less than .05 per cent, the outstanding uncollectible money which, I may say, is transferred to head office and in our records.

Counsel asked me to go to the physical set-up, and that is my reason for giving this. I have shown the geographical outlay; have given you the number of

employees who do this work; I have shown you the money we collected, and now perhaps I might break it down into the places from whence it comes. It comes mostly from Toronto and Montreal. These districts really collect money from all parts of Canada, because the head office of many companies is in these big cities. Their activities however, extend across Canada. They make profits in every province. These profits come home as part of the head office accumulation, and is therefore reflected in the financial statements and in these centres taxed. When we say that that amount of money is collected from Montreal and Toronto, it is true as to the place where the hand that received the money is located; but it is not true in the sense that the money is earned in these districts. It is earned all across Canada.

These districts are staffed as follows, -- I am speaking from memory, but I think my memory is fairly accurate. There are 242 employees in Montreal and just under 200 in the city of Toronto. To analyse the returns that come in, to break them down to make sure that that which is prepared is in accordance with the law we have 414 assessors. The majority of them is in Toronto and Montreal. Let me correct that statement. Proportionately, there are more in Toronto and Montreal. These 414 assessors have to examine the returns received from the tax paying public, and the numbers of returns that we receive are as follows: The T1 is called an individual return. I shall show it to the Commission later on. In the fiscal year ending 1936 we received 169,01 assessable returns, those on which a tax was payable. From T1A, which is a farmers' return, we received 581; from corporations that were assessed an even 5000. All of the returns I mentioned were assessable. Over and above that we

received non-assessable returns, which have to be examined, to the amount of 162,681 from individuals, 4,580 from farmers, and 9,354 from companies, with a special non-assessable company of a particular kind coming under so-called section 4K of our act. I shall not bother with the technicalities. These are non-taxable companies. We received returns from those to the number of 225. This makes a total of 8,390 assessable returns of income from corporations, and assessable 174,882, in which there is money.

THE CHAIRMAN: Mr. Elliott, in connection with the non-assessable returns, what is the law governing the amount that calls for a return, if it does not come within the income tax provisions?

MR. ELLIOTT: The law is, on demand you must make a return. It is not necessary to do it voluntarily.

THE CHAIRMAN: Does that indicate those from whom you have demanded returns?

MR. ELLIOTT: It does.

THE CHAIRMAN: That applies to people engaged in agriculture as well as to those engaged in other occupations?

MR. ELLIOTT: It does. Now, if I may develop that question a little more for you, after the returns are in we have what we call a "tax roll". A tax roll is simply a cabinet with drawers about six inches wide and three and a half inches deep filled with cards. These cards contain the number of persons who are in that inspector's district, assessable or non-assessable. When the return comes in those who are assessable are taken out and put in another place; so that by the time all the returns are in at the 30th of April the cards are taken out of these drawers and put in another place. What is left we have not heard from. The job is "go and hear from them."

We send out a line saying, "what about your return, and yours, and yours?" Many people who are marginally located as to taxable income do not wait for the letters from us. They send in many returns without a demand, knowing that if they do not send in a return they are going to get a demand. They conclude they might as well do it now when everybody else is doing it, meaning the 30th April. So when you ask the question, do we make demands as such? We do. But I do not want you to believe that we do it every year. It means, sometime or other we have made a demand, but it is a continuing force right through.

MR. STEWART: Do the figures you have given include the trustees returns in the non-assessable, or do they have a separate form altogether?

MR. ELLIOTT: Counsel's question compells me to say that ^{an} estate files a return on a form called the "T3". I use these names rather freely, because I am under the impression that T1 and T2 are familiar to the commission. Perhaps I am presuming, but I should like to go on even if it is false.

T3 is filed by an estate, and if the estate is not accumulating any of the income itself for the benefit of non-ascertained persons or persons with contingent interest, it pays no tax. But if it is accumulating income for future distribution then it must file a return itself, and must file T1 as an individual and pay the graduated rate of tax.

Coming back to your question, there are estates in this that are taxable as estates, but in the main the answer is no. It is an information return. The percentage that comes in there is 43,000, which is amazing.

MR. STEWART: Is there anything further that occurs

to you as to the physical set-up, before coming to your statistics.

MR. ELLIOTT: Thank you for the very nice way you asked that question. In return, if I may, I should like to consult those who helped me so freely and so excellently in my work. If I may I should like the leasure, Mr.

Chairman, of introducing those who work with me. On my left is Mr. Gilham, our statistician; on my right my fellow employee, Mr. Gray. These gentlemen are most helpful in the work we are doing. I am going to ask them your question. Is there anything more on the physical set up other than what I have told the commission?

THE CHAIRMAN: We cannot hear up here the question you asked your associates. Perhaps you did not intend us to hear. It may be you are asking it for information.

MR. ELLIOTT: Counsel's question was -- Would you rather have the reporter read it --

THE CHAIRMAN: No.

MR. ELLIOTT: -- or shall I give it from memory. Counsel's question was; "Is there anything else in the physical set-up or management of the affairs of this business which I think should be brought out?" I said I liked that kind of question, as it is a sociable way to put it, and we got together on it. In turn I asked, "May I introduce those who advise me?"

By the way, Mr. Gilham indicates to me that I have not mentioned the Yukon. I am glad he mentioned that, because when you see what I have to submit later on, the Yukon has some other striking charts. It is a small place, with a small number of people, but of that number of people quite a few of them have big incomes; so their statistics stick out like a sore thumb when you put them on a basis of the number of taxpayers per thousand of

people. While there are only a few thousand up there, one man sticks away up high like a church spire.

We cover the Yukon, and it is an interesting district, because there are people who trade out of the port of Seattle, citizens of the United States, who do a big business on our northern shores in the fur trades. They go in one year, stay there and come out two years later with very good cargoes. I must say they generally come to Ottawa and settle their tax affairs; but if they do not we cooperate with the Northwest Mounted Police, and ask them to get in touch with them, and they do it in a most excellent manner. I should like to pay tribute to them, if this is a public stand, for the way in which they do their work. In that way, all Canada, from the very north to our southern boundary, and from ocean to ocean is thoroughly covered..

That, I think Mr. Stewart, is the physical set-up, unless you have some question to ask.

COMMISSIONER ANGUS: I suppose you have other control certificates in addition to the ownership certificates.

MR. ELLIOTT: Indeed we have. I shall develop that now. I think it belongs to the management. Besides the taxable returns, which I have covered, we have information forms. The first one is called the "T4". That is a statement by employers showing the number of persons whom they employ and how much they pay them.

That form is limited to a statement of employees who have an income of over \$1000. Those who have less are exemptions. Any that are above the thousand dollars must be put on the statement. Then, they must put in one lump sum the salary or wages paid to all others who are getting less than \$1,000. This statement of employees wages and salaries is a check first of all against the

financial statements of the company to show that they are not padding their payroll so far as we are concerned. Secondly, the information in regard to those who get \$1,000 or more is taken to what is called the "information card of the taxpayer." Every taxpayer in Canada in our records has an information card. I will not describe again the drawers which I described a little while ago; but it is the same set-up except these are cards belonging to each taxpayer. We take the T4, the wage statement, and if it is filed in the Toronto district, that information would be given to Toronto. They take all the information they want which pertains to people who are residing in their district.

The form is then transferred to Ottawa, and we have a staff who breaks it down, so that those who reside in the different districts are segregated into their districts and that information sent across Canada to the inspectors, who in turn carry the information to the taxpayer card in the drawer. When the time to assess that man's income arrives the information card is put next to his own declaration of income before the assessor, and if it harmonizes all is well. If it does not we generally believe the company. We do not bother very much. We send the man the assessment and say, the company states he received a certain amount of money in salary. He comes back sometimes a little annoyed and says: "It is terrible, I did not get that much income." We say: "Sorry, old man, but the company said you did. Perhaps you had better check it up with them." Most of them, I am glad to say, say: "You are quite right; I commend you for a good system; I did not know I was paid that much." Generally, it is only a few dollars and there is more interest in it than money.

What I have said about the salaries statement is equally applicable to the dividend statement. This form is called the T5. A company declares to us all the dividends paid. They must put in all dividends, and to whom paid, over \$100. That goes through exactly the same channel. Many people get reminders of dividends, but they are usually small amounts that they have forgotten. This has been found to be the right way to do it. Most of them say: "Yes, I remember now." Those who write back get a delightful refresher. A number of them say: "By Jove, I forgot all about that dividend." The dividend that is paid to non-residents is paid in a lump sum on this dividend statement, because we do not tax them. This feature is becoming more important as our relations with foreign countries develop. We have a five per cent tax which was introduced in '933. Five per cent is taken off the lump sum, and the company must send the money to us. Likewise we get a statement of the dividend sent to brokers, and trust companies, who in turn have to file information forms. I shall not burden the commission with that description, other than to state they have to file light information forms. That information is broken down into two groups, the people to whom they distribute the money in Canada and the people to whom they distribute outside of Canada. They send us fifteen per cent of what they send outside of Canada but none of what is distributed in Canada.

The next subject I should deal with, as Professor Angus states, is ownership certificates. They come in here. I am sure you all know, if you want to get a coupon cashed, you must sign a small slip about the size of a cheque, declaring that you are the owner of the coupon. These slips are collected by the banks. We have an arrangement with the banks in that regard. They collect

about two and a half millions a year. These slips must be put in alphabetical order and sent to their central bank, the main bank in the city where the district office or inspector is located. He, in turn, must keep them in alphabetical order and send them to our inspector. Our inspector segregates these information slips or ownership certificates into the return of the individual to check against the day of assessment by the assessor. We pay the banks for that service, but I am not sure of the amount. It does not matter, anyway.

THE CHAIRMAN: You find that procedure is a beneficial one, and aids you in getting at the exact amount of taxable income?

MR. ELLIOTT: In diminishing intensity, yes. When it first came in, in 1934, unquestionably it brought us a lot of money. People were prone to forget these things, and there was not the concentration on the fact that they were cashing ownership certificates and must not forget that they were dividends.

Now, when that ownership certificate finds its way to the file he is reminded that there is money he must declare in his income tax return. As time goes on, I am inclining to the view -- perhaps it is wrong to say this, but I shall say it, having started -- we might even drop ownership certificates for a while and bring them back again in two, three, or four years to check up those who are delinquent.

THE CHAIRMAN: These whose memory had been at fault in the meantime?

MR. ELLIOTT: Thank you. That is it, exactly, Mr. Chairman. These remarks cover the physical set-up of the income tax and its administration. I cannot think of anything more, Mr. Stewart, unless you wish to ask me

some questions.

MR. STEWART: I understand, Mr. Elliott, you have statistical information dividing the assessment and incomes on the basis of provinces in which they were paid and also on the basis of occupational groups to which taxpayers belong.

MR. ELLIOTT: Yes, I have Mr. Stewart.

MR. STEWART: It is a double-barrelled question, because I understand your information is in one exhibit.

MR. ELLIOTT: Yes; the question fits the statistics remarkably well. In 1935 there was an interprovincial conference, and I prepared certain statistics for that conference. I have brought that up to date for the use of this commission in the hope that they will be of some service to you and to your experts.

If I may, I will submit these charts to you with the incidence of the tax and its various sources. Accompanying the charts will be the statements of statistics from which the charts are drawn. If the charts are distributed now I shall explain them and the statements generally, because there is quite a number of them, - I believe 52 in all. I shall take one here and there to give you an idea of what they are, and then your staff of experts can study them.

MR. STEWART: We shall mark the charts Exhibit 123 and the statistical information exhibit 124.

EXHIBIT 123: Book of charts.

EXHIBIT 124: Statistical information.

MR. ELLIOTT: I should, perhaps, advise the commission that while this information was prepared for the conference of 1935, it was not put into public circulation. Much of this information has never been given out before. It was considered, and the Honourable

Minister of National Revenue, anxious to serve the Commission in every way, feels that the public will be the greater served by having information from every quarter readily available. I am happy to comply with his direction.

Chart 1 shows the total collection of income tax from individuals, expressed in millions of dollars for each of the years. The pencil entries on the extreme right bring it up to the year 1937, the last available statistics.

THE CHAIRMAN: Chart 1A shows 1922 as the first year, ---

MR. ELLIOTT: It starts in 1919.

THE CHAIRMAN: 1922 appears to be the largest amount.

MR. ELLIOTT: Yes; the ~~collections~~ from individuals in that year were the largest. The collections from individuals were actually \$39,820,597. The figure that I just read is from the book which is before you. I apprehend, Mr. Chairman, that you feel that individuals in the latter years, say 1936 and 1937, because of increased rates, have paid more taxes than at any other time in history.

THE CHAIRMAN: I thought the income tax in the last year or two would be higher than in prior years.

MR. ELLIOTT: Well, these statistics tell us that is not so, and they are correct. In 1936-1937 the collections from individuals were next highest, and in dollars they amounted to \$35,442,385.00. The collections, Mr. Chairman, had gone up because we have introduced some new measures, namely the 5 per cent tax. This year we will get \$8 million from that. That is, in our income tax, and most people will look upon that \$8 millions, the tax

on companies and individuals, as if it were income; but that \$8 million is taken from people who live abroad. In that way, Mr. Chairman, you might think that we should have had the highest collection last year; but the highest was in 1922.

When you come to corporations on Chart 1B you will find that the year 1937 was the highest.

MR. STEWART: There again you find 1921 to be exceptionally high in that group of years.

MR. ELLIOTT: Quite so, 1931 was the second best year for income from corporations.

THE CHAIRMAN: What is the difference between 1931 and 1937 in the corporation tax? I am referring to the rate, not the amount.

MR. ELLIOTT: Your question was as to 1931. The corporation rate of tax was 11 per cent on income in excess of \$2,000, with an additional tax of 5 per cent on the tax payable when the income of the company is in excess of \$5,000.

THE CHAIRMAN: Then, in 1937?

MR. ELLIOTT: In 1937 the rate is 15 per cent and 17 per cent if they file consolidated returns. The 5 per cent was abolished. The extra tax, if the income was over \$5,000, of 5 per cent, was abolished; and also the \$2,000 exemption to corporations was abolished.

THE CHAIRMAN: These two factors will explain to some extent the marked increase in the income tax on corporations in 1937, would it?

MR. ELLIOTT: It would, indeed, because the exemption alone was \$2,000. A fifteen per cent rate on \$2,000 means \$300 tax from each company, and we had about 8,000 companies, which would give you \$2,400,000 right there.

The next two charts, Mr. Chairman, are provincial

charts, and I think we will pass over them, if it is agreeable. They are charts of Nova Scotia, New Brunswick, Quebec, Ontario, Manitoba, Saskatchewan, British Columbia and the Yukon. We come now to chart 3A.

THE CHAIRMAN: There is this interesting fact to be noted, Mr. Elliott, In almost all the provinces 1922 was the highest year for individual income tax.

MR. ELLIOTT: There is a factual explanation of that which, perhaps, has no relation either to income or to rates. The income tax, as I informed you in my opening remarks, was passed in June, 1917. There was no organization; it really got going in 1918. The people had to be educated. They did not file returns as they should, because they did not know. The year 1918 reflects 1917 income. In 1919 they were still filing 1918 income. The organization was extending across Canada; men were being educated, and the contact between the taxpayers and the officers of the Crown was slowly developing until it reached its workable basis, shall I call it, in 1922, and its income best in 1921. Then many returns came in that went back to 1917; so that whether these are assessable incomes, or taxes that were assessed and paid in these years, is the question. Even today we might get a return that goes back three, four, or five or six years. If we did we would put it into the statistics as this years tax. That might explain 1922 in a factual sense.

THE CHAIRMAN: 1922 appears much higher than others. The amount collected in that year might have been abnormal?

MR. ELLIOTT: That is correct.

THE CHAIRMAN: It might have been an accumulation of arrears?

MR. ELLIOTT: That is correct. Then, in 1922 another factual consideration has broadened the picture. The method of collecting the tax was changed. The taxpayer had to pay at the 30th of April, and did not have to wait until he was assessed; so we really got more than one years taxes by bringing forward the time of payment and waiting until he was assessed.

Shall I go on with the charts, Mr. Chairman?

THE CHAIRMAN: If you please.

MR. ELLIOTT: Chart No. 3A is the chart showing the agrarian's income tax. This chart shows the collections individually from 1922 in millions of dollars. This chart, I believe, explains the situation perhaps too dramatically altogether; because apart from what I have explained to you about 1922, when you look at 1923 you will see that the curve is decidedly down. That, I think, explains why there are so few farmers who are contributing, in the sense of income tax, to the dominion.

THE CHAIRMAN: Was any income tax collected prior to 1922 from agrarians?

MR. ELLIOTT: Yes, but it was not put on the chart, that is all. Certainly, there were collections.

Chart 3B shows income tax collected from individuals and from employees for the years 1922 to 1936 in millions of dollars. This chart shows that in the year 1936 the individuals were coming back to the income of 1923, 1924, 1925 and 1926.

MR. STEWART: Was ^{there} any change in the exemption between 1926 and 1927.

MR. ELLIOTT: In 1926 the then government reduced the tax 10 per cent, and in the following year, there was another reduction of 10 per cent; so that over the two years there was a reduction of 20 per cent, and that

explains 1927, 1928 and 1929. One-fifth of the tax was taken off in those two years. I think that answers your question.

MR. STEWART: There was no change in the exemption?

MR. ELLIOTT: No, I do not think so, not substantially, at any rate. Mr. Stewart, may I correct that answer. The exemptions were as follows: in 1926 the exemption was \$3,000; in 1927, 1928, 1929 and 1930 it was the same. But from 1919 to 1924 it was \$2,000.

MR. STEWART: Then, I believe there was a change in the exemption allowed for children?

MR. ELLIOTT: Yes; it went up to \$500 in 1923, Mr. Gilham informs me. It was \$300 in 1922.

We come now to chart No. 4A, which gives the total income tax collections individually by occupational groups. In other words, at the extreme left are the agrarians who paid very little. We skip the professional, and we find the employees pay very substantial taxes. In 1936 they paid -- the chart was not high enough to show it --- \$12,474,844.28, which is considerably higher than any other occupational designation in the chart.

THE CHAIRMAN: I suppose the incomes that are included in the group would vary. What would be the minimum and the general maximum? I do not mean the extreme. They run from \$1,000 to \$5,000.

MR. ELLIOTT: I do not quite understand the question.

THE CHAIRMAN: You show the total amount collected in 1937 from employees?

MR. ELLIOTT: Yes.

THE CHAIRMAN: I take it all those who are engaged in some remunerative employment would fall within the taxation provisions of the statute. I was wondering what the salary was. Unless they have an income of

\$1,000 they do not come in at all.

Mr. ELLIOTT: That is right.

(Page 3557 follows)

THE CHAIRMAN: Have you any idea of the average?

MR. ELLIOTT: The average salary paid that comes within that?

THE CHAIRMAN: Yes.

MR. ELLIOTT: I would refer you to chart No.11; that might help to answer your question. That is the average income tax paid. I understand that you want to know the average income. Well, I have not got that, but the same thing more or less appears here. I show the average tax. It is related to the income, the average income tax paid by individuals, by occupational groups. When you come to the employees you will see that the average tax paid is quite low. There are so many of them. We come to chart 4(a) and we find that they pay the most money as a class, but they do not bear the greatest burden as individuals of a class.

THE CHAIRMAN: As regards the employees, what is the average tax paid?

MR. ELLIOTT: \$77.98. You will find that in the statement given in chart 11 in the blue book in front of you. Chart No.4 (b) is the something for corporations, that is, by occupational groups -- manufacturers, merchants, wholesale and retail, financial and so on. It bears out clearly that the manufacturers are the main contributors to the exchequer as an occupational group. In 1936, according to the pencilled figures bringing the chart to date, they paid \$21,264,276.

THE CHAIRMAN: That is a 15 per cent tax?

MR. ELLIOTT: Yes Mr. Chairman, and no exemptions. This chart No.5(a) is merely a graphic picture which can be taken in at a glance. It shows where the income tax, so far as the provinces are concerned, really comes from. You can see the fluctuations by following the lines

from year to year in Ontario and Quebec. The income tax collections by corporations is in the next chart, No.5 (b).

THE CHAIRMAN: Are there no income tax collections from corporations in the provinces other than those mentioned on this chart? You have just five provinces on this chart.

MR. ELLIOTT: Which chart are you looking at?

THE CHAIRMAN: This chart showing income tax collections, corporations by provinces. It gives only five provinces.

MR. ELLIOTT: No, Mr. Chairman; it gives nine provinces. The bottom province is Ontario, then we come to Quebec, and then to Nova Scotia and so on, in layers, so that we go up to the 100 per cent that we collect, which is shown graphically from the various provinces for all the years.

THE CHAIRMAN: I was reading the names up and down.

MR. ELLIOTT: This chart No.6 is really the vertical way of expressing what is contained in the two immediately preceding charts -- that is, Ontario and Quebec. The individuals in those provinces pay those pillars of taxation; the individuals in the other provinces pay what is shown. I do not think we will pause on the other charts but we will come to chart no. 13(a). This chart gives a rather striking picture of just how the incidence of incometax rests upon the people of Canada. Down the centre of the chart is the zero line and extending to the right and left are even divisions of ten. On the left are shown the incomes in the income class groups. When you take the very first dark line at the top you will see written in there 89,724. That means that there

are 89,724 individuals with incomes under \$2,000 and they pay -- if you go to the right hand side of that zero line -- \$987,387. If you understand that first line the chart becomes clear and interesting. To the left of the line are individuals and to the left of the line are dollars; vertically it shows the class of incomes.

COMMISSIONER ANGUS: Is that \$2,000 taxable income or \$2,000 total?

MR. ELLIOTT: The first \$2,000 is exempt.

COMMISSIONER ANGUS: So that when you say "under \$2,000" that means under \$2,000 of taxable income?

MR. ELLIOTT: Yes; and, as I say, they pay \$987,387. As the statement shows, that is 45 per cent of the number of tax payers paid 2.96 per cent of the tax. If you go to the bottom of the chart, those individuals having an income of over \$50,000, you will find that there were 304 in the fiscal year 1935-36 and these 304 paid \$11,055,666. In other words, these 304 are 1.5 per cent of the people that are taxable and they pay 33.13 per cent of the tax. The burden of the tax begins to be felt about over the ten thousand dollar mark -- the burden in the sense of paying money; but the number of people dwindles to a comparatively small figure.

If we take chart 13(b) we shall find the same thing in reference to corporations. There you will find 6,306 corporations having an income of under \$2,000 for the year 1925-26, and they paid half a million dollars -- actually, \$547,271. If you go to the bottom of the chart you will find that those corporations having an income of over \$50,000, of which there were 773, paid \$36,169,233. In other words, the 6,300 corporations represent 57 per cent of all corporations paying a tax, but they paid

only 1.274 per cent of the money that was paid in taxation; while the 773 corporations having an income of over \$50,000 of the total number of corporations that paid tax, represent 7.05; but they paid 84.189 per cent of the tax.

THE CHAIRMAN: What page are you looking at?

MR. ELLIOTT: I am looking at chart No.13(b), for the year 1935-36. To sum up. The 6,306 corporations paid half a million dollars and they are 50 per cent of the total corporate taxpayers, and the percentage that they paid of the tax was 1.2 per cent. But when you go to the bottom, the corporations having an income of over \$50,000, of which there are 773, they paid \$36,000,000 odd or 84 per cent of the tax.

The succeeding charts are for Ontario and Quebec and we will skip them. Chart No.14(a) has reference to occupational groups of individual taxpayers. The interpretation of the chart is the same as I have explained in dealing with chart No.13(a). At the left of the zero line are the numbers and at the right of the zero line is the money. I do not think I need dwell on any of the other charts; it would take time to study them.

Perhaps you would be interested in a word of explanation of chart 20. The hatchured lines are representations of the national wealth, and that is based on the 1929 Bureau of Statistics statement; that is where it comes from. That was the last time they published a statement with respect to national wealth, so that this chart has not been repeated. I think I misstated that, Mr. Chairman. The black columns are the national wealth and the hatchured lines represent the tax collected per capita of population.

That does not simply mean taxable persons but

per capita of population. If you look at Quebec you will observe that her national wealth per capita is not as great as the tax collected per capita, meaning that she is a revenue producing province greater in proportion than her wealth. To exemplify that, go to Alberta.

The column of national wealth per capita is high because Alberta is rich in natural resources and small in population. But the revenue yield is small per capita; therefore the hatchured line is much below the per capita wealth line.

THE CHAIRMAN: There are only two provinces where the tax collected is greater than the national wealth line, Ontario and Quebec.

MR. ELLIOTT: That is correct.

THE CHAIRMAN: What is the significance of that?

MR. ELLIOTT: The significance is that there is a greater annual yield in relation to their provincial wealth than there is income or yield to the people of the province of Alberta in relation to their national wealth; in other words the static wealth of Alberta based on its smaller population is great -- its per capita wealth is great -- only one person -- to make it absurd, but to bring out the point nevertheless -- he would own the whole province and the per capita wealth would show away up and we would have an enormous column. And if he owned all these things he could not work them himself and his revenue, the annual yield, would be very small. In other words, the per capita national wealth in the province of Alberta is large compared to the per capita income tax paid, based on income, by the people of that province.

COMMISSIONER ANDERSON: Are these figures compiled in

such a way that the concentration of ownership by large corporations -- the income payments of large corporations with head offices in Montreal and Toronto -- would reflect itself in the tax collected per capita more than in the national wealth?

MR. ELLIOTT: It would have more effect on the tax collected per capita than it would have on the national wealth. I explained something of that sort when I opened my remarks. No one can say how much of the revenue taken by a corporation with its head office in Montreal is drawn, say, from Alberta -- that is, in the aggregate speaking of all corporations doing business in Alberta. Yet again, no one can say of that same corporation or group of corporations, after it had drawn revenue from Alberta, how much of that revenue has gone back to the same people in Alberta who may hold shares.

COMMISSIONER ANGUS: As these statistics are made up, the physical assets of a corporation situated in Alberta would be shown as a part of the wealth of Alberta, would it, or would it be shown where the head office is?

MR. ELLIOTT: I cannot say with certainty. The per capita wealth was taken from the Bureau of Statistics and used exactly in the form in which they prepared it. The Bureau of Statistics does not care where the owner is resident; what they are concerned with is the place in which the physical assets are situated.

COMMISSIONER ANGUS: The physical assets would be shown as part of the per capita wealth of the province, whereas the income which these assets earned would be shown as part of the income of the province in which the head office was situated, Quebec or Ontario as the case might be.

MR. ELLIOTT: That is not wholly true. Income may have

its source in the province, but it may go into a corporation in Montreal and, in the form of dividends, return to that province. All this is the tax paid by those who are taxable -- that is, the corporations and individuals that are taxable in the province of Alberta.

COMMISSIONER ANGUS: As I understand it, the assets of the corporation would probably be shown where they are situated.

MR. ELLIOTT: Yes.

COMMISSIONER ANGUS: And then the income, so far as the corporate income tax is concerned, would be shown at the head office of the corporation.

MR. ELLIOTT: That would be correct.

COMMISSIONER ANGUS: And in so far as the same income is taxed a second time as an individual income it would be shown as in the place of residence of the taxpayer?

MR. ELLIOTT: Yes, that is it exactly.

BY MR. STEWART:

Q. In making chart 20, of course, you give the per capita wealth on the basis of thousands? A. You have to shift your scale to bring it within the compass of your paper.

Q. And your income tax collection is in dollars?

A. Quite so. But that does not affect the utility of the chart.

Q. It is a case of relationship? A. Yes, quite so.

The last two charts, 21(a) and 21(b), I may now touch upon briefly. Chart No. 21(a) is in hundreds of millions of dollars and shows at a glance 15 years of governmental revenue and the sources from which it came. The most striking thing is the petering out of the business profits tax as shown in the lower left hand corner.

THE CHAIRMAN: This is just for the year 1919?

MR. ELLIOTT: No; that is for the years from 1919 up to and including 1934. The five per cent tax at the other end comes in as the opening wedge, and that tax is assuming greater and greater importance. For instance, the collection from the five per cent tax, including to-day, is \$9,302,457.15, while in 1933 there was nothing. It is therefore beginning to be an important factor.

The next chart, No.21(b), is the same thing except in percentages, and it fills the whole page, showing the 100 per cent collection. It shows the amount of income tax from individuals, starting at the bottom, and the income tax from corporations, the business profits tax on the left petering out, and the incoming of the five per cent tax,

it closed down compared to what it was in 1931, then the excise tax and the sales tax. It is a clear picture of 15 years of national revenue.

BY MR. STEWART:

Q. Can you produce statistics showing the amounts of earned and unearned income from the date on which the distinction between the two forms became relevant? A. I can answer the intent of the question but not specific items for this reason. When the distinction was contemplated between earned and unearned income we did make up certain statistics to show how much unearned income there was in Canada and how much investment income, and we submitted that to the appropriate authorities at the time as their guide.

Q. That includes up to what year? A. That is up to 1931-32, because the law was passed in respect of 1933. I have another group of statistics that has to do with

income. We have been talking mostly about tax in these charts.

I have about 12 or 15 statements relating substantially to income, and I think it might be well to put them all in as a group as I did with the former ones, because incorporated in them is the answer to your question.

Q. These are figures relating to assessment or incomes rather than to tax paid? A. Yes, to incomes.

EXHIBIT NO.125: Statements showing net incomes, presented by Mr. Elliott.

MR. ELLIOTT: I made a statement that was out by one year. The investment income tax was passed in 1935 and made applicable to 1934; I said 1934, applicable to 1933.

BY MR. STEWART:

Q. Will you in a general way indicate the material in this series of statements filed as Exhibit No.125?

A. In entering upon these statistics which are contained in some eight statements --- and many of the statements are divided into six or eight parts -- I wish to say something about one of the Commission's experts, Professor MacGregor, who has come to our office and in a most clear and exemplary manner indicated to us some of the needs of the Commission. Much of what we have here came under his instruction and review, and if I may say what is in my heart, I appreciate immensely the manner in which it was done, and I am most delighted to cooperate with him at any time. I invite him back for further explanations of these statements if that will be of use to your Commission. The first statement is with reference to the net income of individuals according to income class groups and fiscal years. This is the income of individuals

and we have them in columns for each year. On the left we have them in income class groups -- that is, how much of the individual income was received by the persons who had incomes between two and three thousand, between twenty and twenty-five thousand, between forty-five and fifty thousand, and so on. We put them into their various groups.

The decline in income is greatest in the higher brackets. The well to do people in the classes over \$50,000 or between \$40,000 and \$45,000, including any one of those people who receive large incomes -- let us take the class of from \$20,000 to \$25,000 -- had in 1930-31 \$28,000,000; in 1932, \$20,000,000; in 1933, \$17,000,000; in 1934, \$13,000,000; in 1935, \$14,000,000 and in 1936, \$16,000,000. That stands as against \$28,000,000 in 1930-31. It is a considerable decline.

Let us take those under \$2,000 or perhaps those between \$2,000 and \$3,000. That class represents \$54,000,000 in 1930-31; in 1932, \$45,000,000; in 1933, \$70,000,000; in 1934, \$99,000,000; in 1935, \$114,000,000 and in 1936, \$115,000,000.

COMMISSIONER ANGUS: Does that mean that that class has been reinforced by people who had previously been receiving larger incomes?

MR. ELLIOTT: Certainly; their salary was reduced and they would fall into the lower class. But take the two and three thousand group and compare that with any of the higher brackets and you will find they have suffered-- I have not reduced it to percentages but the percentage is a striking one when you compare the decline.

COMMISSIONER ANGUS: Might not the people in that

group in the first year have suffered complete extinction, as far as these figures give us any indication, the other group being reinforced?

MR. ELLIOTT: Complete extinction would mean going on the dole or on social relief. I do not deal with people in that category, and I think you will have to ask that question of the Department of Labour.

COMMISSIONER ANGUS: What I meant was this, Mr. Elliott. The people who were in the group of \$2,000 to \$3,000 in the year 1930-31 may have suffered as individuals quite as severely as people with \$50,000 and over, and yet that group itself would not be smaller -- the aggregate incomes would not be much smaller -- because of that group being augmented by people from groups above.

MR. ELLIOTT: I agree with that; that was your point a moment ago. Men came from the higher salaried group into the lower salaried group, therefore the lower salaried group, in volume, remained the same, even if others in the group had passed out into a lower category.

We will take chart No. 2 next. This gives individual incomes by occupational groups. On the left is the occupational group showing professionals, employers, merchants, manufacturers and so on. This is a statement of the net incomes received by individuals who are in those types of business over the series of years given. What has been said about income falling within certain income groups between \$1,000 and \$3,000 and between \$45,000 and \$50,000 can now be said in respect of those who are engaged in these lines. You see what has happened to them since 1931 -- \$16,000,000 in 1931; \$8,000,000 in 1932; \$6,000,000 in 1933; \$5,000,000 in 1935; \$6,000,000 in 1936

Take employees. In 1931 the income of employees was \$437,000,000; in 1932, \$367,00,000; in 1933, \$434,000,000; in 1934, \$408,000,000; in 1935, \$431,000,000; in 1936, \$466,000,000. It is fairly constant.

I want to explain one thing in this chart, the second occupational group -- family corporations. It is not an occupational group, but because it has a place in the fiscal system by reason of statutory definition I might discuss it for a moment. In 1931 family corporations had an income of \$42,000,000; in 1932, \$33,000,000; then we have \$31,000,000, \$22,000,000 and \$9,000,000, then \$2,000,000. The section was repealed in 1932 and these diminishing figures are explained by the delay in catching up with family corporations and assessing them. The income they had was transferred in the main to that class or occupational group described as financial. Bearing in mind the fact that the income of family corporations in later years went into that group in the main -- because a good many manufacturers did not go into that group -- let us see what happened. These are the figures: In 1931, \$93,000,000; and in other years \$85,000,000, \$69,000,000, \$59,000,000, \$67,000,000, and \$85,000,000. The sustained part at the last is helped out greatly by the income of family corporations being thrown into that group.

COMMISSIONER ANGUS: Might the family corporations have gone into personal corporations ?

MR. ELLIOTT: Oh yes, I should think they would fall into one of three categories in order of importance -- financial, manufacturing and personal corporations. The next chart, No.3, is the beginning of a series of charts all designated by that number. There are five statements

one below the other, and they all come under the heading No.3. That is a statement of the individual net incomes assessed in each year, one year on each sheet, classified by provinces on the left, not by occupational groups, and further classified under income groups, that is, between \$2,000 and \$3,000, between \$10,000 and \$15,000, between \$20,000 and \$25,000. When you open out the sheet you come to the group over \$50,000.

These statements are a breakdown of statement No.1; they are a breakdown into provinces, the income class groups in these provinces, together with the summary as checked back against the first statement I brought out. We might look at the incomes in Ontario and Quebec, remembering always, as Professor Angus has pointed out, that the income is drawn from all over Canada. Because Ontario and Quebec get these large incomes it does not mean that the other provinces are as poor in income as they are shown in this chart. When you look at these two and the ones above and below, unless you keep that fact in mind you will find it rather misleading.

Now I come to No.4, and that brings us back to the question asked by counsel: Can we give a breakdown of earned and unearned income. Statement No.4 is the net income designated earned income assessed in the fiscal year 1931-32. It is only one year classified by provinces into groups. This was done before the earned income was defined in the Act passed by Parliament. This was what we thought was earned income, but Parliament later described any salary over \$14,000 as, not earned income, but investment income, and it is taxed accordingly.

THE STATEMENT is on the theory that no one

can earn more than \$14,000 a year.

MR. ELLIOTT: I should not like to say what the theory is but I have a sneaking feeling that the object was to get money. We cannot give you any more information on this. We did it only for the one year.

BY MR. STEWART:

Q. You have no breakdown of the figures for 1934, 1935 and 1936? A. No. I thought that somebody would ask me that question and I did not know that you would have the honour to be the first to put it; but I struggled with that problem at the time the matter came up. The question is a natural one, "If you tax this income, why do you not keep statistics?" Without labouring the point, I might say I worked hard at it with my fellow officers and it was found that it would cost too much; it would involve too large an increase in the necessary service. Comparing charts No. 4 and No. 5, you will find that one is earned income and the other unearned income. I do not think it is necessary for me to dwell on them.

When we come to No. 6, we find it is the same as No. 4 except as to classification. No. 4 showed the income classes between \$2,000 and \$3,000, but now we have an occupational group classification in chart 6, and we show net incomes of various occupational groups, professions, employers, merchants, wholesale and retail, and so on.

No. 6 has to do with the earned and No. 7 with the unearned. Statement No. 8 is the income of corporations for 1930 and 1931 classified by occupations and by provinces. I would call attention to Quebec and Ontario, because there has been some comment before the Commission

with respect to public utilities. If you will look under transportation and public utilities, you will see that in the province of Quebec in 1930-31, the income was \$49,000,000 in the case of those companies described. In Ontario, however, it was \$25,000,000. If we turn over to 1935-36 and look at the same column, we find that the Quebec public utilities had an income of \$36,000,000 while Ontario had an income of \$5,000,000 according to our returns.

THE CHAIRMAN: What is the explanation of that great difference ?

MR. ELLIOTT: Well, the explanation is to be found in part in the electric companies. The income of the Quebec public utilities, including not only electric companies and transportation, but lumber and pulp and paper, and whatever small mines there are, was in 1930-31 still reflecting the good period up to 1929; and in order to give the explanation that you have asked for, we have turned over the next sheet, giving 1931-32, where you will find that the Quebec income had been reduced from \$49,000,000 to \$14,000,000. There are several reasons for this. Not only was the depression upon us, but the capitalization of many of these companies, I am inclined to think -- and I say this advisedly -- was perhaps high. I recollect some of the paper companies wanting to write down bonded indebtedness by reorganization and so on, in an endeavour to get within their revenues, which were substantially decreased by the depression.

THE CHAIRMAN: I notice, under National Resources, a very large income from Ontario for the year 1934-35, and

a relatively small income from Quebec. What is the explanation?

MR. ELLIOTT: That is the mines in Ontario -- natural resources.

THE CHAIRMAN: But mines would not come under public utilities.

MR. ELLIOTT: No; you are quite right, Mr. Chairman. I strike out the word "mines" in reference to transportation and public utilities, but I do not strike out the word "paper". I am confirmed in that by our statistician.

THE CHAIRMAN: The paper companies come under public utilities in this classification?

MR. ELLIOTT: Yes; and the reason is that many of the power companies were intermingled with paper activities and they were thrown into one.

MR. STEWART: Does that include even paper companies that have no relation to power?

MR. ELLIOTT: I am advised by our statistician that those paper companies that have no relation to power or power companies are put under natural resources. As regards the decline from \$49,000,000 in public utilities, I might explain that under that came the Canadian Pacific Railway; but in the next year the Canadian Pacific Railway did not make enough money to pay any tax so that it would not be included in our statistics. That gives the decline to \$14,000,000; at any rate, it helped the decline along with the depression.

Now I turn to chart No.8. You will observe that as regards the financial group, Quebec shows \$20,000,000 and Ontario \$25,000,000; but if you go to the last chart

for the year 1935-36 you will find that the situation is reversed; Montreal has \$31,000,000 and Ontario, \$23,000,000. Whether that is a movement of capital or not, I cannot say.

There are only two other charts. As regards No.9, that is merely businesses owned and operated by sole proprietors; that is to say, they are not incorporated, they might be partnerships.

In respect of No.10, that gives statistics gathered from corporations that are assessable and shows the amount of bond interest paid by them and taken as a charge in determining income. In 1930 there was \$67,000,000 of bond interest charged, but in 1931 there was only \$41,000,00. That decline is due to the fact that bond interest in connection with the Canadian Pacific Railway, which was taxable in 1930, is not present in 1931. From 1931 onwards it is fairly even; it had not changed greatly.

Taking 1936, on a five per cent yield basis, it means that the bonded indebtedness of assessable corporations was about \$880,000,000.

The next statement, No.11, has reference to bond interest charged by non-assessable corporations. In 1930 the bond interest was \$34,000,000 and it went up in 1931 to \$57,000,000. The increase is just the reverse of what was stated in the other case; the Canadian Pacific Railway was an assessable corporation in 1930 but did not appear in the sheet we are looking at now. But it does appear in 1931, and from that time on all assessable corporations have been more or less constant.

The trend has been downward in the last few years.

Taking 1931, 1932 and 1933, they are close to \$60,000,000, but in 1934, 1935 and 1936 they go down to about \$50,000,000. The question is: Are companies to-day issuing more bonds and less shares because of the shift in taxes? If they incorporate and use bonds they save 15 per cent to the extent of interest paid, which would otherwise be paid as dividends. The question is whether there is a movement to have companies with more bonds than shares, and whether that has a good effect on our financial structure, in that they get greater security and less equities. However, I am getting into a realm I should not talk about.

BY MR. STEWART:

Q. What do you include in the expression "non-assessable companies"? A. Those that do not pay taxes.

Q. Only those who do not earn enough to pay taxes?

A. Yes; inasmuch as there is no exemption, therefore, they must be in the red.

Q. There are none actually exempted? A. Exempted by statute?

Q. Yes? A. Oh no. This has reference to companies which, if they had income, would pay taxes, but because they are in the red they do not.

THE CHAIRMAN: There being no profits there is no tax, but they still have to pay bond interest?

MR. ELLIOTT: Yes.

MR. STEWART: Either pay it or charge it up.

MR. ELLIOTT: Or go into bankruptcy or make arrangements with the bondholders.

THE CHAIRMAN: In reference to public utility

corporations and the difference in earnings, do you include in that list the earnings of all publicly owned utilities, or only those that pay taxes?

MR. ELLIOTT: Only those that pay taxes.

THE CHAIRMAN: So that does not give a complete picture of the earnings of all public utilities, but only of those that are liable to taxation?

MR. ELLIOTT: That is correct.

(The Commission adjourned at 4.30 p.m., until 10.30 a.m., Thursday, January 27, 1938.)

**University of Toronto
Library**

**DO NOT
REMOVE
THE
CARD
FROM
THIS
POCKET**

Acme Library Card Pocket
LOWE-MARTIN CO. LIMITED

